



EC 103

ANNUAL REPORT
01 JULY 2008 – 30 JUNE 2009

TABLE OF CONTENTS

1. GENERAL INFORMATION	2
2. INTRODUCTION AND OVERVIEW / FOREWORD BY THE SPEAKER/MAYOR	3
3. OVERVIEW OF THE IKWEZI MUNICIPALITY	6
4. EXECUTIVE SUMMARY BY THE MUNICIPAL MANAGER	8
5. CHAPTER 1: INSTITUTIONAL TRANSFORMATION (KPA1)	13
6. CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA2)	29
7. CHAPTER 3: LOCAL ECONOMIC DEVELOPMENT	41
8. CHAPTER 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)	51
9. CHAPTER 5 : GOOD GOVERNANCE	62
10. ANNEXURES	
10.1 ANNUAL FINANCIAL STATEMENTS	74
10.2 MANAGEMENT RESPONSE	101
10.3 CHAIRPERSONS REPORT	107
10.4 AUDITOR GENERAL REPORT	108

GENERAL INFORMATION

Submission of the Annual Report to the Speaker/Mayor

To the Speaker/Mayor, Cllr Sizwe Mngwevu; I have the honour of presenting the 2008/09 Annual Report.

Mr Thandekile Themba Mnyimba

Municipal Manager:

Ikwezi Local Municipality (EC 103)



PART 1: INTRODUCTION AND OVERVIEW

A. FOREWORD BY THE SPEAKER/MAYOR

It is, once again, a great pleasure to present this annual report as a benchmark that reflects progress in key areas while a number of important new initiatives and intervention were commenced. To mark this historic occasion, the municipality undertook an open and vigorous review of its performance and achievements, The Ikwezi Vision 2011 strategic agenda which guides and laid a basis for setting targets for the next decade.

The past year has seen dramatic institutional changes on basic service delivery and poverty alleviation in Ikwezi. To this end, and in an effort to tackle the challenges faced by the municipality in fighting poverty, the municipality has committed to building a sustainable and growing economy within the context of the goat and mohair initiative and the following key areas:

- Improving the market and public confidence in Ikwezi by attracting investment and building loyalty to the people. This objective is in line with matters of good governance , sound financial management and proper service delivery
- Identifying and exploiting the opportunities to our advantage in order to meet the political strategic agenda through various LED initiatives
- Intensifying enterprise support by developing small and medium enterprises which can play a huge role in job creation.

Ikwazi Municipality as a sphere of local government and as an institution cannot proceed to drive development initiatives in isolation. National government, Provincial government, the District and our partners from the private sector (Mohair South Africa, German and Slovakian Embassies) must be involved in planning and development at local level. This integrated planning will lead to desired strategic alignment of Integrated Development Plan, Spatial Development Framework, Budgeting, Local Economic Development and Evaluation.

Financial statements for the reporting financial year have, once again, have been compiled in house by our own staff in accordance with the standards laid down by National Treasury. We are also proud to have used our expertise to assist our cluster municipalities. I am also proud to announce that we have progressed from a **disclaimer** in the 2007/2008 financial year to a **qualified audit opinion** in 2007/08. The Office of the Auditor General has finalised the audit for the year under review and it gives me pleasure to announce that we have achieved our set goal of obtaining an **unqualified audit report**. To that end, my managers have undertaken to address issues raised by the Office of the Auditor – General and with the necessary support from all concerned, we can maintain this wonderful achievement for years to come.

I further wish to highlight shortcomings in the following areas:

- Skills and capacity challenges facing Ikwezi - e. g Human, Technical and Finance.
- Local Economic Development Unit is under capacitated and it needs to be attended to as a matter of urgency. The appointment of the LED Manager has, in some way, started to address that challenge.

- The internal audit challenges faced by this municipality are overwhelming. Auditor General's outcome has improved for the first time in the history of this municipality, mainly because Council took a resolution to have the Mayor and Municipal Manager to take full control over the audit and financial oversight role.
- The Infrastructure backlog of approximately R183m will not be addressed by the MIG allocation of R6.383m. This is one of the challenges facing low capacity municipalities in terms of fully performing political mandates by speeding up service delivery.

In conclusion and on a personal note, I would like to thank my fellow councillors for their loyal support and their unwavering support. Council's successes can be attributed to their hard work and unflinching dedication. I would also like to express my appreciation to the whole administration under the leadership of the municipal manager, Mr Thandekile Mnyimba, who in a very short period, has worked tirelessly towards the realisation of vision 2011 to transform the organisation's strategic profile, with the aim of attaining excellence as a government at a lower level.

My sincere thanks must also go to all our strategic partners, stakeholders and the Office of the Premier for their continued support and direction.

Cllr Sizwe Mannetjie Mngwevu
Speaker/Mayor

B. OVERVIEW OF IKWEZI MUNICIPALITY

Ikwezi Local Municipality is located within the Eastern Cape Province, one of nine local municipalities located within the Cacadu District Municipality (CDM). Jansenville is bordered by the Sundays River south of the town. The R75 between Port Elizabeth and Graaff-Reineit dissects the town in a north / south direction. Klipplaat is dominated by pre-dominantly defunct railway lines and shunting yards whereas Waterford may be characterised as a small rural node historically established to serve the surrounding farming community Ikwezi include three main settlements namely Jansenville, Klipplaat and Waterford accommodating a population of 11 452 (2 576 households) and cover an area of 4,449.7 km². It is an area characterized by low population density and high levels of poverty. 76% of households earn less than R1 600 per month and the documented levels of unemployment are documented ranging from 33% to 71%. Economic studies generally describe the area as having very limited economic potential with all settlements rated as level 1 settlement hierarchy (ABP 2009). The area is challenged with excessive bulk water constraints as well as very poor quality water.

The Integrated Development Plan (IDP) of Ikwezi has four developmental priorities, namely:

- ✦ Rural Economic Development
- ✦ Infrastructure Development
- ✦ Human Capital Development and

➤ Institutional Development

Programmes and projects identified in the IDP are geared to achieve the above mentioned developmental priorities.

The municipality has very limited financial resources with a budget of only R20m. It is a serious challenge to stretch this budget to address municipal backlogs in all respects. Most capital projects have a multi year construction plan.

Council's performance is measured through the Service Delivery and Budget Implementation Plan (SDBIP). All the above mentioned management tools are utilised during performance assessments of individual and municipal performances.

There were no major disaster incidents during the year under review. The municipality is fortunate to have a stable political environment and focus on service delivery.

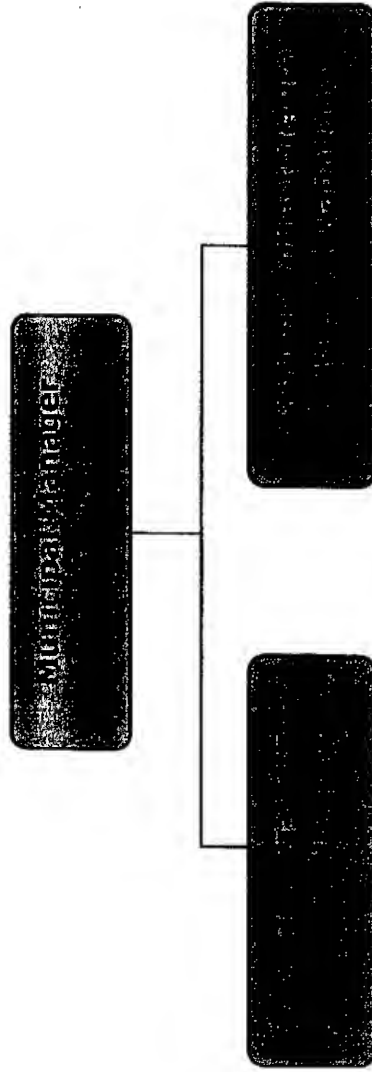


C. EXECUTIVE SUMMARY BY THE MUNICIPAL MANAGER

Ikwezi Local Municipality has a Plenary System where the Speaker serves as a Mayor. There are five councillors in total, three from the African National Congress (ANC) including the Speaker/Mayor which is the ruling party, one from the Democratic Alliance (DA) and one from Jansenville Kliplaar Alliance (JKA). There is no ward system instead council has units that act as wards.

The following diagram shows the administrative leadership of the municipality during the year under review:

IKWEZI ADMINISTRATION



Mr R April left the municipality in July 2008 to join Nelson Mandela Municipality whereas Ms Z Ntile left for Sundays River Valley Municipality in December 2008. Mr N Bomvane joined the municipality in November 2008 whereas Ms O Kwababana joined the municipality in May 2009.

In 2008, the current administration developed a turnaround strategy for the municipality that has the following focus areas:

- Organisational re – engineering
- Policy review and development
- Establishment of structures of governance
- Investment in human capital
- Development of a Financial Recovery Plan

- Enhancement of community confidence
- Positioning of the municipality and
- Networking (strategic partnerships)

The focus areas are inputs that need to be processed to achieve desired outputs and eventually outcomes. Administration continued to implement the said turnaround strategy as part of institutional transformation and development.

The municipality experienced serious challenges when it came to trade tools during the year under review. Due to budget constraints, the municipality does not have service delivery vehicles like refuse removal and sanitation trucks.

The municipality also faced a serious challenge with spending its MIG Allocation during the year under review. Staff turnover at senior level, access to MIS, project registrations and recommendations and approval were paramount reasons for the lack of spending. The new Director: Infrastructure and Community Development has made a significant contribution in addressing the matter.

The Kliplaat Bulk Water Supply Project (R1,2m) was completed in June 2009 within the set dead line. The Jansenville Waste Water Treatment Plant (R4,5m) started during the year under review and will be completed in the 2009/2010 financial year. The provision of Rain Water Harvest Tanks as an alternative source continued with improvements during the year under review. Provincial Department of Human Settlements approved the Kliplaat Sewer Connection Project (R1,6m) in Dan Sandi.

It is all systems go for the first **International Mohair Summit** in November 2009. This project is aimed at boosting local economy and positioning South Africa, the Eastern Cape Province, Cacadu District Municipality and Ikwezi Municipality as mohair capitals. International delegates from various countries have already confirmed their attendance.

The municipality is venturing in renewable energy by investigating solar technology. A meeting with the Department of Energy later in 2009 is planned as administration has already consulted with Nersa in April 2009. This project will change the face of the area should it materials.

The municipality continues to investigate the possibility of the revitalisation of railway lines. Kliplaat used to be one of major junctions and its economy was driven by existence of Spoornet in that area. Spoornet's disinvestment left the area a ghost town. This project will also boost tourism in the municipal area and surrounding areas.

An Ostrich Project in Kliplaat was launched in April 2009. The municipality in partnership with Pretoria Portland Cement (PPC) and the Department of Minerals Energy (DME) worked hand in glove to ensure that the poor participates in small scale farming with a potential to grow. PPC has set aside R4,5m over a period of five years for projects within Ikwezi municipal area.

Administration continued to implement the Financial Recovery Plan developed during 2007/2008 financial year. The appointment of two financial interns to capacitate finance department produced positive results. Management will advertise for two more financial interns in the new financial year.

Administration also continued to review and develop policies and procedures, improve internal controls and management of risk. Data cleansing was completed during the year under review and revenue collection strategies were developed. Implementation of the said collection strategies was also phased in. Council wrote off R1,9m as irrecoverable debt as a result of data cleansing. A further R10m will be written off in the new financial year.

The municipality developed an asset register that meets the IMFO Standards and Municipal Finance Management Act. The register was audited and endorsed by Auditor General. An asset register that Gamap/Grap compliant will be developed in the new financial year as the municipality will be converting to Gamap/Grap compliant financial statements.

Public Participation took a knock during the year under review. Council did not hold public meetings as desired. Increased workload with less warm bodies and preparations for the 2009 National and Provincial Elections were *inter alia*, paramount reasons for less desired public engagements.

The Audit Committee was not only functional but pivotal in advising Council on financial management and governance matters. Internal Audit was more effective as PwC and management worked very closely in both identifying and addressing areas of focus.

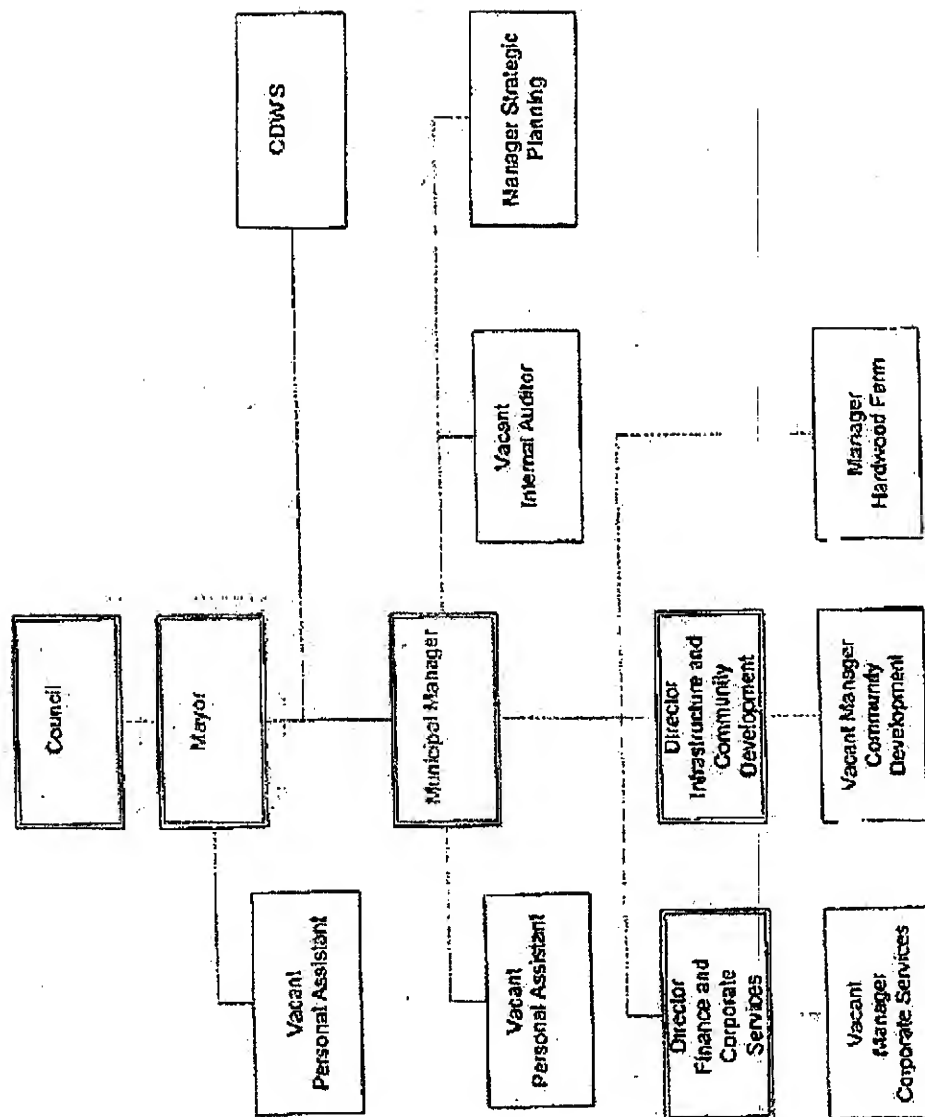
The implementation of the turnaround strategy and consequently the Financial Recovery Plan proved to be fruitful. This is evident, *inter alia*, by the audit outcomes from the Auditor General.

CHAPTER 1: INSTITUTIONAL TRANSFORMATION (KPA1)

1.1 Approved organisational structure

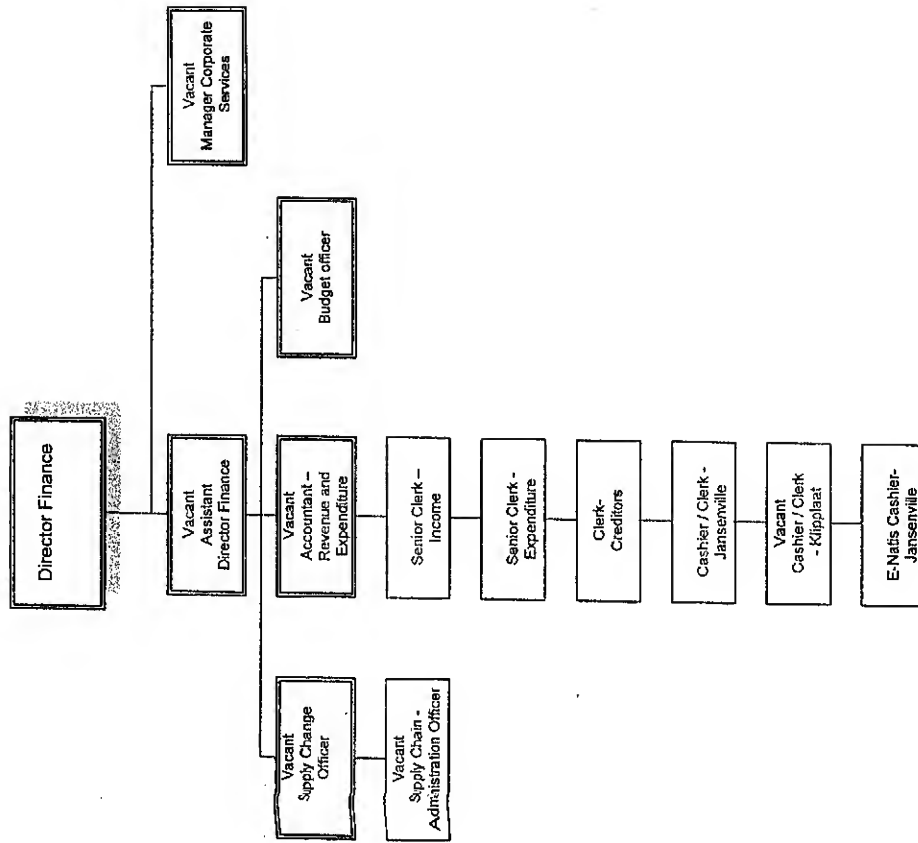
Ikwezi Local Municipality

Top Management Structure



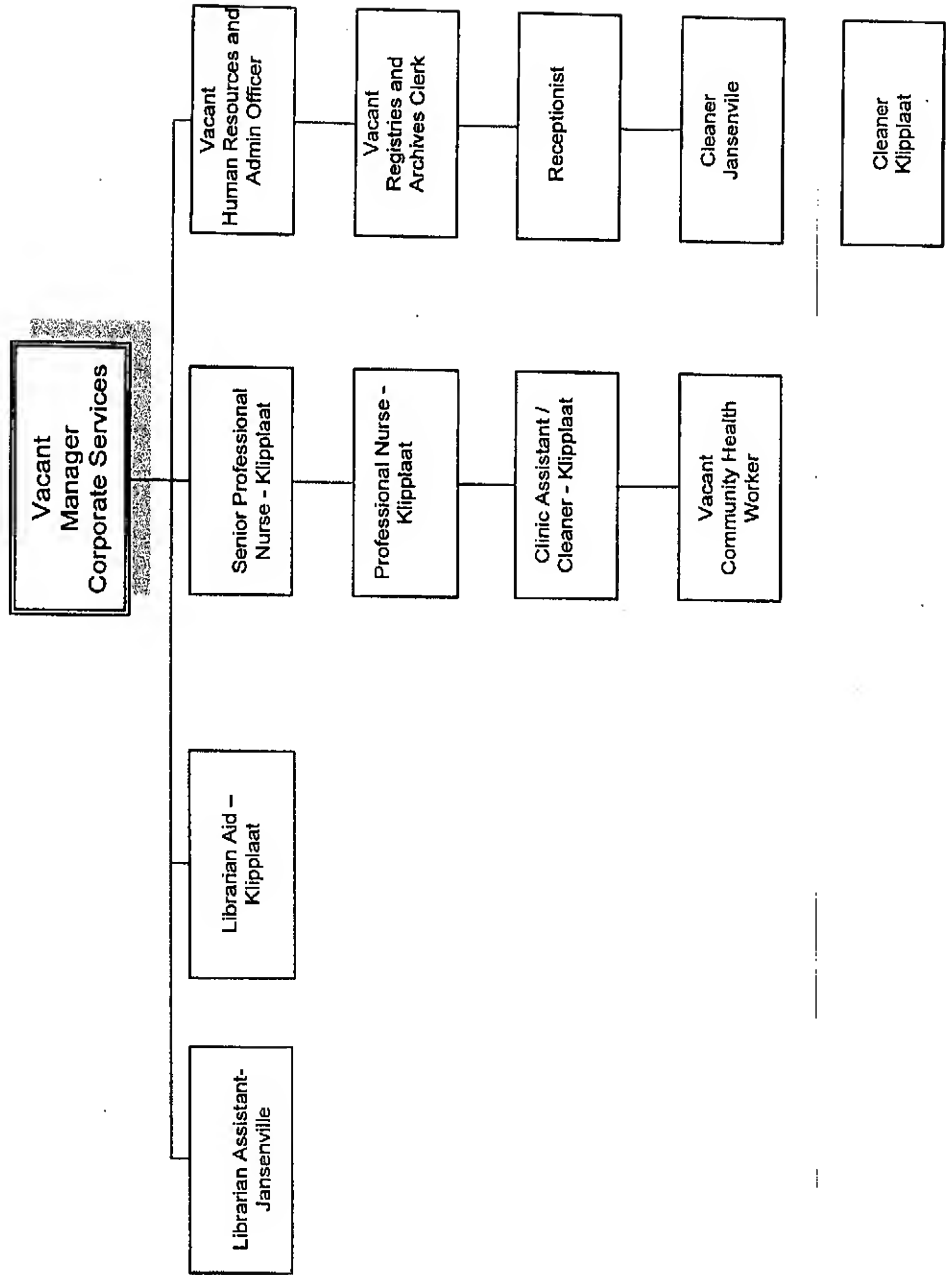
Ikwezi Local Municipality

Department Name: Finance (Proposed)



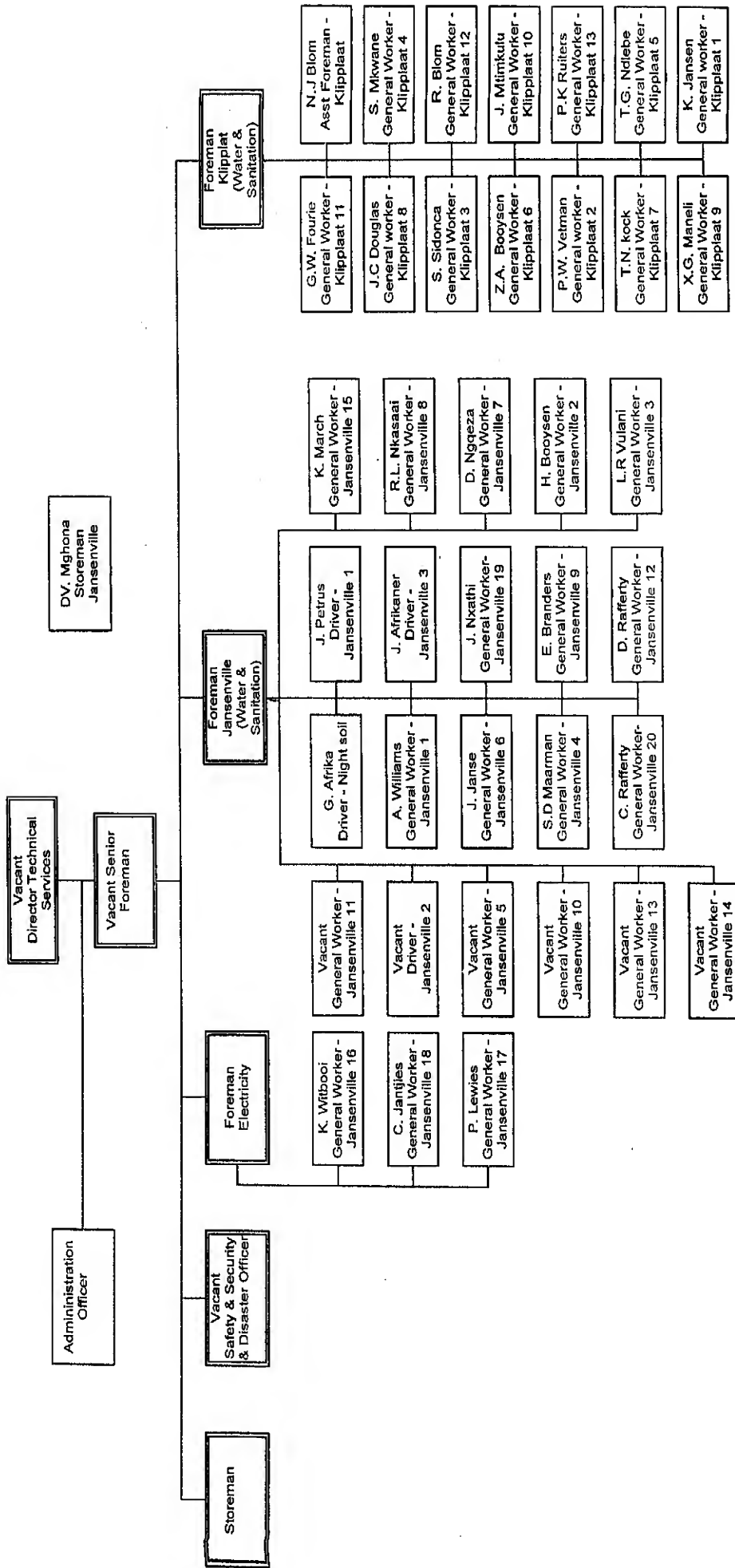
Ikwezi Local Municipality

Manager Corporate Services



Ikwezi Local Municipality

Department Name: Technical Services



The municipality has undergone significant re – engineering during the year under review. Management had to develop an organisational structure that is developmental in nature. The new structure was adopted on **5/06/2009** with employment equity targets met in terms of S57 appointments. In the previous year, there was no formal organisational structure; some functions did not have job descriptions and salary scales.

Total number of positions	-	83
Number of vacancies	-	15
Number of contract employees	-	15

1.2 Staff development initiatives

Directorate Infrastructure and Community Services

The two functions were combined under one directorate – due to budgetary constraints, but the initiative was to address instead of ignoring issues , despite financial challenges. The strategic thinking is to expand the structure – community services gradually move away from this directorate within the next three years.

Transformation

The vacant Community Services Manager position will be filled in the next financial year. As at 30 June 2009 , a coloured female employee has been identified from within the ranks to occupy the position. This, in an effort to reward our employees for commitment ,self development and loyalty to the institution. The initiative show Ikwezi's commitment to transformation.

Fire Services and Disaster Management is accommodated on this structure as a new function for Ikwezi Municipality.

All other vacant positions in the Infrastructure Department (7 general workers) plus Senior Forman will be advertised in the new financial year by the end of September 2009.

Directorate Finance and Administration

The following vacancies will be advertised (internally) before the end of August 2009

Creditors Clerk, Supply Chain Administration Officer, Cashier /Clerk (Klipplaat), Human Resource & Admin Officer, Registry and Archives Clerk, Receptionist, Cleaner. Other positions i.e Budget Officer, ENatis Cashier and Electricity Inspector will be advertised at a later stage.

Office of the Municipal Manager

HIGHLIGHTS

1. Organisational restructuring
2. Job description for each incumbent
3. Human Resource policies adopted and implemented
- 3.1 Disciplinary Code
- 3.2 Standing Operational Procedures on Disciplinary Action
- 3.3 Grievance Procedure
- 3.4 Recruitment and Selection
- 3.5 Employment of Contractual Employees
- 3.6 Racial Discrimination
- 3.7 Culture and Religion
- 3.8 Delegation of Authority
- 3.9 HIV/AIDS

- 3.10 Sexual Harassment
- 3.11 Gender Equality
- 3.12 Disability
- 3.13 Language
- 3.14 Skills Development

4. Human Resource policies drafted during July 2009

- 4.1 Succession Planning
- 4.2 Absenteeism and Sick leave abuse
- 4.3 Leave
- 4.4 Remuneration/long service bonus (non-financial award part of this)
- 4.5 Retention
- 4.6 Overtime and Standby
- 4.7 Employment Equity Plan

1.2 Skills Development

The aim for the 2008/09 financial year was to enrol at least one employee for a degree – newly appointed Corporate Services Manager registered for Certificate Programme (Fort Hare University) at NQF 6 (B-degree equivalent).

The Chief Financial Officer enrolled for Certificate Program in Management Development in Municipal Finance (Wits Business School) NQF 6 – minimum competency requirements from National Treasury.

Other training programmes attended by Councilors and Officials

<u>University of Fort Hare</u>
IDP , Project Management, Ward Committee Training, Asset Management
<u>IMFO</u> : Gamap/Grap (financial statements)
Workshops were organised by IMFO and attended by the Chief Financial Officer, the senior accountant and the two finance interns
<u>Samras (Bytes Technology)</u>
Basic debtors, advanced debtors, basic payroll, advanced payroll, supply chain management, basic creditors, advanced creditors
<u>Global Business Solutions</u>
Labour Relations (NQF 5) and Finance for Non Financial Managers
<u>Provincial Archives</u>
Records and Archives Management

HIGHLIGHTS – UNEMPLOYED

Animal Production Learnership. The in-take was 24 learners (during January 2009) and we managed to retain all of them for the full duration of the programme.

1.3 INFORMATION ON STAFF

Office of the MM

Total Positions	Current Vacancies	Pension Fund	Medical Aid	Monies owed to Council
7	2 – (Personal Assistant and Internal Auditor.	SALA	Bonitas	See end of tables

Vacancy rate @ management level	Disabled personnel	Youth employed	Women employed
0 %	1	1	3

Highest level of qualification - B.Comm Hons Degree
Lowest level of qualification Grade 12

Directorate Finance and Administration

Total Positions	Current Vacancies	Pension Fund	Medical Aid	Monies owed to Council
19	11	SALA	Hosmed	See end of tables
		Imatu Retirement Fund	Discovery Health&SamwuMed	

Vacancy rate @ management level	Disabled personnel	Youth employed	Women employed
0 %	0	2	5

Highest level of qualification - B.Com (Accounting)
Lowest level of qualification - Grade 8

Directorate Infrastructure and Community Services

Total Positions	Current Vacancies	Pension Fund	Medical Aid	Monies owed to Council
54	14	SALA	Hosmed	
		Imatu Retirement Fund	Discovery Health	

Vacancy rate @ management level	Disabled personnel	Youth employed	Women employed
0 %	2	1	4

Highest level of qualification - B-Tech Degree
Lowest level of - Below NQF 1(Grade 1)

1.4. Technical staff registered with professional bodies

Technical Service	Total number of technical service Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
	0	0	0	0

1.5 Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professional training
56	35	11	10

1.6 Trends on total personnel expenditure

Financial Years	Total number of staff	Total approved operating budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2006-2007		12,408,232	5,583,581	45 %
2008-2009		16,314,396	6,330,640	39 %
2008-2009	56	16,185,100	7,983,880	49 %

1.7 List of pension and medical aids to whom employees belong

Number of pension/provident fund	Number of members	Names of medical aids	Number of members	Number of retirement fund	Number of members
3		Hosmed, Bonitas, Samwumed, Discovery health	18	1	3

1.8 Senior officials' salaries and benefits

Municipal Manager R453 450

Chief Financial Officer R305 125

Director : Infrastructure R305 125

1.9 Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number of people (planned for during the year under review)	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts				
2	Percentage of appointments in strategic positions	100%	All filled	100 %	No gaps

	Indicator name	Total number of people (planned for during the year under review)	Achievement level during the year under review	Achievement percentage during the year	Comments on the gaps
3	Percentage of S57 Managers including Municipal Manager who attended at least 1 skill development training course within the financial year	1	1	100 %	No gaps
4	Percentage of Managers in Technical Services with a professional qualification	0	0	0	N/A

	Indicator name	Total number of people (planned for during the year under review)	Achievement level during the year under review	Achievement percentage during the year	Comments on the gaps
5	Percentage of staff that have undergone a skills audit(including competency profiles within the current 5 years)	All filled positions	All filled positions	100 %	
6	Percentage of councillors who attended a skills development training within the current 5 years term	5	3	80%	Non availability for training – due to other commitments

	Indicator name	Total number of people (planned for during the year under review)	Achievement level during the year under review	Achievement percentage during the year	Comments on the gaps
7	Percentage of female employees	8,96	Only 1 female Director.		Slow recruitment processes
8	Percentage of employees under 35 years of age	4,48			

The local labour component is regarded as a partner in the decision making process of the municipality. This has resulted in excellent working relations and common understanding. The Local Labour Forum sits periodically to attend to all matters affecting employees directly/indirectly. The reports of the Local Labour Forum are tabled to Council on a monthly basis.

1.10 Major challenges and remedial actions in regard to human resource and organizational management

The rural nature coupled with limited financial resources inhibits Ikwezi municipality to attract suitably qualified applicants. As a result, the municipality is often forced to make do what is at its disposal. It generally takes longer for Ikwezi to fill its vacant post due to the above factors. The promotion policy and the succession plan that will be developed and implemented in the next financial year will go a long way towards addressing the challenges. Furthermore, political stability and good internal practices form part of our strategic agenda to address the problem.



CHAPTER 2: BASIC SERVICE DELIVERY (KPA2)

2.1 BACKGROUND

The Infrastructure Directorate is mandated to ensure that the service delivery is executed in accordance with the provisions of the constitution and Batho Pele principles. In addition to the above, the Infrastructure Directorate strives to address the service delivery needs of the communities in a participatory and sustainable manner.

The Directorate consists of the following sections :

- Water and Sanitation
- Electricity
- Refuse removal, Dumpsites, Cemeteries, Parks and open spaces section
- Maintenance and Roads and Storm water drainage

2.2 Water and sanitation

Ikwezi municipality is a water service provider. The municipality is being assisted by the Cacadu District Municipality and the Department of Water Affairs in this regard. Klipplaat uses surface water from Klipfontein dam and the water is also purified by

sodium hypo. One borehole is used as back up in cases where the dam runs dry due to drought conditions which are prevalent in our municipal environment.

Waterford makes use of one borehole and Jansenville uses seven boreholes. Jansenville's water is being purified by chlorine powder. Due to scarcity of rain in the Ikwezi area, the municipality has installed rain harvest water tanks to provide with additional water resources. The Cacadu District Municipality also assist in conducting lab tests on a monthly basis.

Sanitation includes provision of sewerage services throughout Ikwezi. The function involves maintenance of internal sewer networks and provide services to any new developments. The strategic objective is to uphold the dignity of our communities in line with the national KPAs

2.3 Electricity

The function involves the distribution and transformation of electrical energy to consumers within Ikwezi – mostly Jansenville as Eskom is mainly responsible for Kilpplaar. This includes maintenance of the electricity infrastructure, to install infrastructure to new establishments, acquisition and distribution of bulk electricity and provision of street lighting for residents.

2.4 Refuse removal, Dumpsites, Cemeteries, Parks and open spaces

The function falls within the Community Services section. A dumping site exists for Jansenville and Kilpplaar. The existing cemetery in Jansenville has been used up to full capacity, but an establishment of a new site is on Environmental Impact Assessment stage and should be finalised sometime in the next financial year.

2.5 Annual performance as per key performance indicators in water services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	All households have access to water	none	100%	100%	100%
2	Percentage of indigent households with access to free basic potable water	1000 House holds	700 households	1000 households	250	35.7%
4	Percentage of clinics with access to potable water	100	None	All	All	100%

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
5	Percentage of schools with access to potable water	100	None	All	All	100%
6	Percentage of households using buckets	10	20	20	10	50%

2.6 Projects

Ikwezi Municipality has championed various capital projects to better the lives of its inhabitants. The following projects have created jobs for citizens of Ikwezi municipal area and contributed to a better life for all vision:

- **MIG Allocation** –MIG Allocation for the MTEF for 2009/10 amounts to R6,3mil , R7,3mil for 2010/11and R6,3mil for 2011/12. Infrastructure backlog in Ikwezi is approximately R183m with internal bulk water at approximately R60m. MIG allocation to Ikwezi was R3,6m for 2008/09 an amount of R653,000 was withheld by National Treasury. Progress in spending has since been made since then as we are now on 91% spent to date. The Municipality had technical problems and therefore it struggled with project registration hence the slow expenditure, management has then identified 'quick win' projects in order to fast track expenditure. The introduction of the Comprehensive Infrastructure Plan by **dplg** is the only hope for municipalities to address these infrastructure backlogs.

- **Water Tanks Project** – Jansenville and Waterford Area is currently receiving water, from boreholes and the quality of water is not good for human consumption, as a short term solution the Municipality, through the assistance of Dwaee is in the process of providing water tanks to all households in Ikwezi. The only town that has surface water is Klipplaat.(which is currently running dry due to the extent of drought), Jansenville and Waterford have boreholes. Council decided to introduce Water Harvest Tanks Project as a short term solution to the water scarcity challenge. The installation of water tanks was done by local contractors using mostly, local material in line with the LED objective to create employment opportunities and also to empower small businesses in our municipal area.

- **Housing Project** – Jansenville 350 housing projects is still on construction phase and is 90% complete and Klipplaat 418 is still in the process of beneficiary verification and currently the existing 225 are still being connected. Local sub – contractors, suppliers and communities continue to benefit from these projects. Council has applied for Jansenville 500, Kliplaat 200 and Waterford 100 housing projects and the department has set aside funds for these projects.

- **Bucket Eradication Project** – Buckets were completely eradicated in formal areas in 2008. The informal areas are still outstanding. The project has changed the living life style of our people(the water demand remains a problem) and this confirms that **Water is Life and Sanitation is Dignity**.

2.7 Challenges

- **Staff matters** – Infrastructure Director performs at a strategic level but due to lack of human capacity ends up performing operational and sometimes administrative functions and also acts as Project Management Unit Manager. General workers are mostly illiterate and lack the necessary skills to execute their allocated tasks. In housing, the major challenge is that we do not have a housing unit as a municipality.
- **Plant and machinery** – the municipality does not have heavy duty machinery eg, Refuse trucks, Sewarage truck, TLB, compactor etc. to successfully execute it's institutional mandate. The vehicles used currently are affecting the Municipality badly because of wear and tear due to age.

- **Water quality** – The underground infrastructure is more than fifty years old and has started to deteriorate (is rusted). The purified water from the reservoirs gets contaminated through the distribution network. This is a serious health hazard for our people. A water treatment plant is urgently needed as the chlorine can also be hazardous if overdosed. Ikwezi has been battling with water quality for the past three years and monthly results conducted by the District municipality has shown sub-standard water quality. In an effort to address this matter and avoid a serious health crisis in our area, the municipality has embarked in a vigorous internal program that included chlorinating religiously. Our efforts have started to bear fruits as lab results for the last three months of 2008/09 have shown significant improvements in quality standards.
- **Water Reticulation** – Ikwezi Community is piped in each dwelling so is considered to be high level of service.
- **Electricity** - Currently Ikwezi is not meeting the requirement of electricity needed by the community. Bad weather conditions disturbs the connections, generators and distribution system must be upgraded, this is now on design stage.
- Feasibility study through the district was done for the upgrade of electricity and Professional Service providers will be appointed soon for the Design Phase.

2.8 Annual performance as per key performance indicators in Electricity services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	100	350(Newly built RDP houses	350	-	-
2	Percentage of indigent households with access to basic electricity services	1000 House holds	700 households	1000 households	250	35.7%

2.9 Free basic Services :Electricity - 50kwh

Water - 10kl

Operations and Maintenance (08/09)			
	Budget		Expenditure
Water		75,500	36,423
Sanitation		52,000	40,957
Refuse		11,000	30,456
Electricity		128,000	66,445

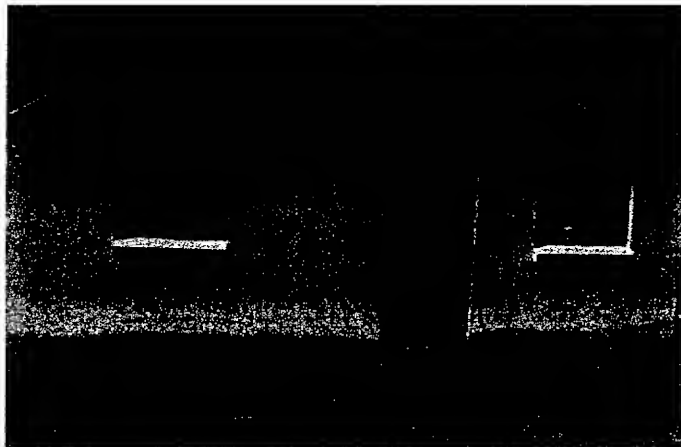
2.10 Expression of Appreciation

I would like to convey my sincere appreciation to the Mayor, members of the council, the Municipal Manager and Heads of Departments for the support they have given to my staff during the year.

I would also like to express a special word of appreciation to the Portfolio Chairperson councilor Vanda and my infrastructure team for continued support.



Above : A local contractor hard at work during the construction of Jansenville Communal Waterhouse, a project aimed at water recycling in Ikwezi.



Left : A housing project from the 350 Jansenville housing units approved by the Provincial Housing Department



CHAPTER 3: LOCAL ECONOMIC DEVELOPMENT (KPA 3)

Local Economic Development (LED) is tasked for socio-economic growth in the whole of Ikwezi municipal area. The purpose of the department also entails managing economic projects and also developing SMMEs in our area. The LED unit is also responsible for liaising with other stakeholders like NGOs, CBOs, provincial and national government departments and private companies.

The LED Strategy – which is meant to attract private investors in Ikwezi - has already been developed during the year under review and all that is left is adoption by council as its working document. Other strategic objectives of the LED department are to assist capacity building with local SMMEs and also creating enabling environment for small businesses.

1. LED unit

- LED Unit Head: appointed on a one year contract (April 2009 – March 2010)
- LED Officer
- LED Intern on intensive training (July – December 2009) deployed by IDC
- Tourism Intern deployed by the Office of The Premier (January – September 2009)

The municipality does not have the capacity to absorb the two interns when their internship expires. This will have a negative impact on the performance of the LED Unit. The municipality intends to submit a request to the Office of The Premier to extend the internship programme for the Tourism intern to June 2010.

2. Number of LED Projects

The following is a list of catalytic LED projects within Ikwezi municipality

Project Name	Project Description	Project Status	Project Location	Project Budget	Project Funding Source
None at this stage	Tender stage for lease of land	Ongoing	Funding	Get funding from private sector	
DEDEA -R2m	Implementation	Ongoing	Funding for technical assistance (PM)	DBSA committed to provide support for technical assistance. In the absence of this, PM fees will come out of the project budget	

	Funding source	Phase	Expected completion date	challenges	Proposed solution
	Department of Agriculture and PPC	Implementation	Ongoing	Transport (bakkie) to collect eggs from the veld to the farm and to transport feed from the farm storage to the veld	PPC has committed to purchase a bakkie for the project
	CDM: R700 000 Mohair SA: R750 000 ECDC: R1080 000 DoAgric: R5.4m	Preparations are 80% complete	08 November 2009 November 2011 November 2013	Shortfall of R5m	To request for financial support from other stakeholders. Request submitted to IDC, awaiting response.

	GDM Department of Social Development	Project is progressing very well. The project is supplying bulk orders to Pick 'n Pay distribution Centre in Cape Town. In the process of signing another contract with Wool Worthy's Has created 27 jobs	Ongoing	Shortage of machinery which makes it difficult to sustain the weekly production of 1000 sleepers. Training on financial and product Quality Management. Are producing another product and need assistance in marketing of that product.	Funding to purchase additional machines. DoL to provide training for project beneficiaries.
	None at this stage. Looking at PPP	EIA	March 2010	Delays with the EIA	Fastracting the EIA process by the relevant department
	PPC	Design phase	Ongoing	None at this stage	

	DEDEA	Feasibility & Business Plan Development	End September 09	Funds to implement on completion of the study and BP	Submit BP and feasibility study report to IDC

					who is willing to fund on receipt of the BP and feasibility study report
	DEDEA	Feasibility Study	End September 09	Funds to implement on completion of the study	Submit BP to ECDC
	German Embassy (Construction)	Completed	Completed	Funds to purchase equipment	Submit a BP to Absa who is willing to fund
	Ikwezi Municipality	Tender stage to appoint Service Provider to conduct feasibility study and BP development	November 2009	Funds to implement on completion of the feasibility study and BP	Submission of BP and feasibility study report to DEDEA for possible funding
	Possible funder is IDC for the actual implementation (construction phase)	Planning stage	December 2010	Buy in from Metro Rail and affected communities. Funding for feasibility study and BP development.	A meeting is being arranged with the relevant stakeholders: DoRT, Spoornet, IDC, Metro Rail and Ikwezi municipality

LED projects highlighted above are catalytic projects that can draw in significant public and private sector investment, and indeed change the growth of the area. Consequently, moving the projects towards implementation will require innovative and strategic partnerships to be forged and sustained.

3. LED Strategy

The Draft LED strategy has been adopted by Council and the final approval will emerge during the next financial year.

4. Functionality of LED forum

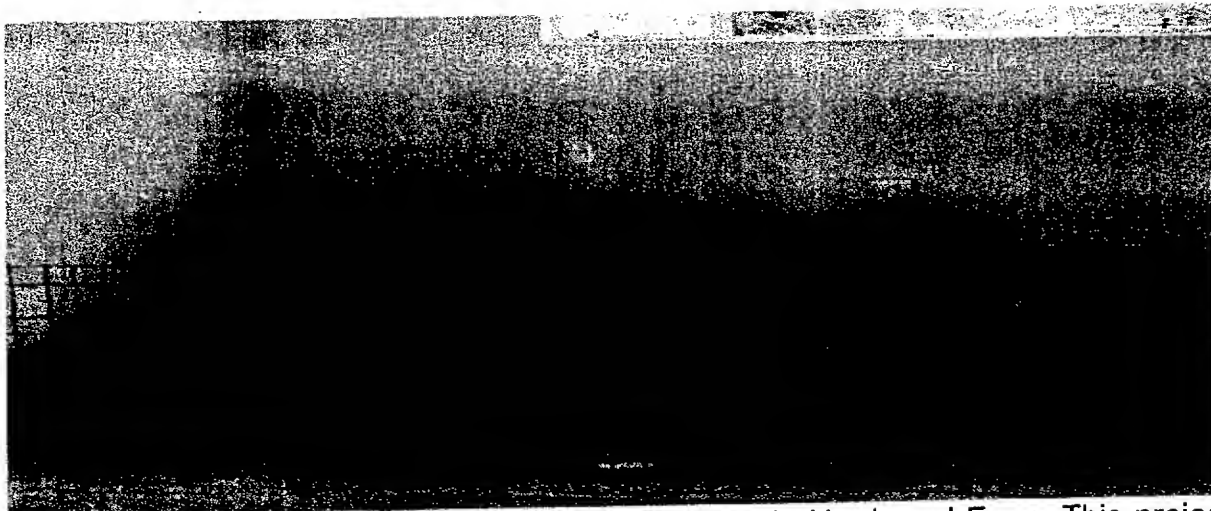
Council is in the process of reviewing the LED forum. The strategic partnership between the municipality and the NGO Khanya will also assist in moving the process forward.

5. Intervention by DLGTA

The department has allocated R400 000 for the LED Expert in 08/09 financial year and R470 000 for 09/10 financial year.

6. Challenges

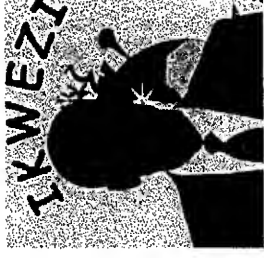
- ✚ Not enough financial resources to implement LED projects including feasibility studies and Business Plan development.
- ✚ Insufficient personnel: currently operating with deployed interns.



Above : A photo of a nursery for an Ostrich Project in Hardwood Farm. This project is a partnership between Ikwezi Municipality and PPC

Below : Minister Buyelwa Sonjica and the Mayor of Ikwezi, Clr Sizwe Mngwevu, during a launch of the Ostrich Project in Hardwood Farm





CHAPTER 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

4.1 The audited financial statements

The purpose of this report is to report on matters as they occurred during the financial year to 30 June 2009. The report has been compiled to reflect the financial position and the subsequent performance of the institution throughout the reporting year.

The primary function of the Finance Department is to ensure that proper management of financial resources is maintained at all times. Furthermore, it is to ensure that the institution is able to collect enough revenue to sustain itself going forward, while spending on allocated grants is being monitored. This objective links directly to that of assisting other Heads of Department to manage their budgets effectively.

The annual financial statements were submitted on time and in line with the requirements of the MFMA – that of submitting financial statements within two months of the end of the financial year. Important to note is the fact that at 31 August 2009, the fixed asset register was being finalised and the total asset value was not accurately reflected. This information was shared with the office of the Auditor General and they understood and were willing to accept the process to be completed.

4.1 Statement of financial performance

4.1.1 Operating results

	Actual 2009 R	Actual 2008 R	Variance 2008/09 %	Budget 2009 R	Variance Actual/ Budget %
Income					
Opening (deficit)/surplus	16,104,778	13,862,960	16.17%	16,462,280	2.17%
Operating income	2,880,597	2,891,734			
Closing Deficit	-	-			
	<u>18,985,375</u>	<u>16,754,694</u>			

Expenditure

Opening deficit	2,891,734	2,232,593	9.24%	16,457,170	11.70%
Operating exp	14,532,464	13,303,291			
Appropriations	<u>1,561,177</u>	<u>1,218,810</u>			
	<u>18,985,375</u>	<u>16,754,694</u>			

The consolidated accumulated deficit has decreased from R2,891,734 to R2,880,597 during the year. Council had budgeted for a surplus of R5,110 after appropriations, a R11,1137 surplus was realised.

An amount of R1,127,076 was raised by SARS from arrears on PAYE and UIF – resulting in serious cash flow problems to the municipality. Council wrote to the MEC – Local Government and Traditional Affairs, seeking assistance. The Department assisted by approving an amount of R1, 100,000 to help the municipality in addressing the SARS issue. R700,000 of the total approved amount was transferred to the municipality at 30 June 2009. The municipality has also engaged SARS on the matter and an amount of R22,389 was still outstanding at 30 June 2009. The outstanding balance on the SARS debt has been disclosed as such in the 2008/09 annual financial statements.

Council also wrote off an amount of R1,954,436 in May 2009 as a response to an audit query arising from the previous year's audit. The amount was due to accounts issued to consumers residing in properties that are still registered under the name of the municipality. The transfer is still in progress and council is informed on a regular basis.

4.1.2 Rates and General Services :

	Actual 2009 R	Actual 2008 R	Variance 2008/09 %	Budget 2009 R	Variance Actual/ Budget %
Income	11,918,205	10,856,005	9.78%	12,070,020	1.26%
Expenditure	10,422,292	10,099,818	3.19%	12,125,620	14.05%
Surplus	<u>1 495 913</u>	<u>756 187</u>		<u>(55600)</u>	

4.1.3 Trading services

Electricity

	Actual 2009 R(000)	Actual 2008 R(000)	Variance 2008/09 %	Budget 2009 R(000)	Variance Actual/ Budget %
Income	2 884	2 192	31.52%	3 046	-5.33%
Expenditure	2 807	1 989	41.12%	2 937	4.43%
Surplus/(deficit)	76	203		108,7	

The decrease in surplus from sale of electricity was due to the price increases – by 25% in 2007/08 and by 30% in 2008/09.

Water services

	Actual 2009 R(000)	Actual 2008 R(000)	Variance 2008/09 %	Budget 2009 R(000)	Variance Actual/ Budget %
Income	1 302	813	60.01%	1345	-3.22%
Expenditure	1 302	1 213	7.30%	1393	-6.55%
Surplus/(Deficit)	-	(399)		(48)	

Income and expenditure cancelled each other out resulting in break-even. This was due to an allocation of R3110,447 from the equitable share. The allocation was necessary and was effected to avoid recovering all the losses from the rates account.

4.2 Statement of financial position

4.2.1 Capital expenditure and financing

Land and Buildings

	Actual 2009 R	Budget 2009 R	Actual 2008 R
Infrastructure:			
Roads	0		79 362
Town Planning			
Sewerage and sanitation	1 436 977	1 600 000	14 557 935
Water	1 578 191	3 897 000	2 059 224
Electricity	65 000	2 000 000	0
Housing services	8 928 481	7 000 000	2 248 026

Other fixed assets:

Vehicles	0		415 695
Software	374 812	130 000	341 383
Furniture and equipment	12,383,461	14,627,000	19,701,625

4.3 Grants and transfers' spending

Amounts that were transferred were as follows :

- R26 960 974 from National grants and were able to spend R23 626 687
- R11 623 376 from Provincial government , R11 324 126 was spent and
- R2 889 409 from Cacadu District Municipality and R2 572 230 was spent

4.4 Meeting of Donors' requirements in respect of conditional grants

The conditions of grant have been strictly adhered to for all Ikwezi's allocations for the 2008/09 financial year.

4.5 Long term contracts entered into by the municipality

During the year under review, the municipality entered into contracts with the following service providers:

1. Panasonic – for 36 months , to provide the municipality with additional telephone and fax lines
2. Kemp : - to provide the municipality with additional office space

The above contracts were awarded in line with the municipality's Supply Chain Management policy. There were no additional contracts entered into, other than to review the existing contracts for 2009/10 financial year.

4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	3886000	1 578 191	40.6%
	Capital expenditure of capital budget	Target set for the year (35%) R(000) R16 185 000	Achievement level during the year R(000) R14 532 000	Achievement percentage during the year vs the operational budget 88.3%
2	Salary budget as a percentage of the total operational budget	48.07%	48.07%	48.07%
3	Total actual trade creditors as a	R764 791	79.9%	

	percentage of total actual revenue				
4	Total municipal own revenue as a percentage of the total actual budget	38.6%		R6 213 000	
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year	
5	Rate of municipal consumer debt reduction	15%		R1 900 000	
6	Percentage of MIG budget appropriately spent	40.6%		R3 886 000	
7	Percentage of MSIG budget appropriately spent	100%		R735 000	

4.7 The Audit committee functionality

The audit committee meetings were conducted throughout the 2008/09 financial year. The chairperson's comments on the 2008/09 financial performance have been included as an annexure:

Ikwezi has outsourced the Internal Audit function due to not having capacity. The service provider appointed to look after that function was Price Waterhouse Coopers and the contract came to an end at 30 June 2009. The contract expired at the same time as that of the audit committee members.

Through the efforts of council, management, the service provider for internal auditing and the audit committee, Ikwezi has been able to achieve its goal of obtaining an unqualified audit report for the first time in the history of the municipality.

4.8 Arrears in property rates and service charges

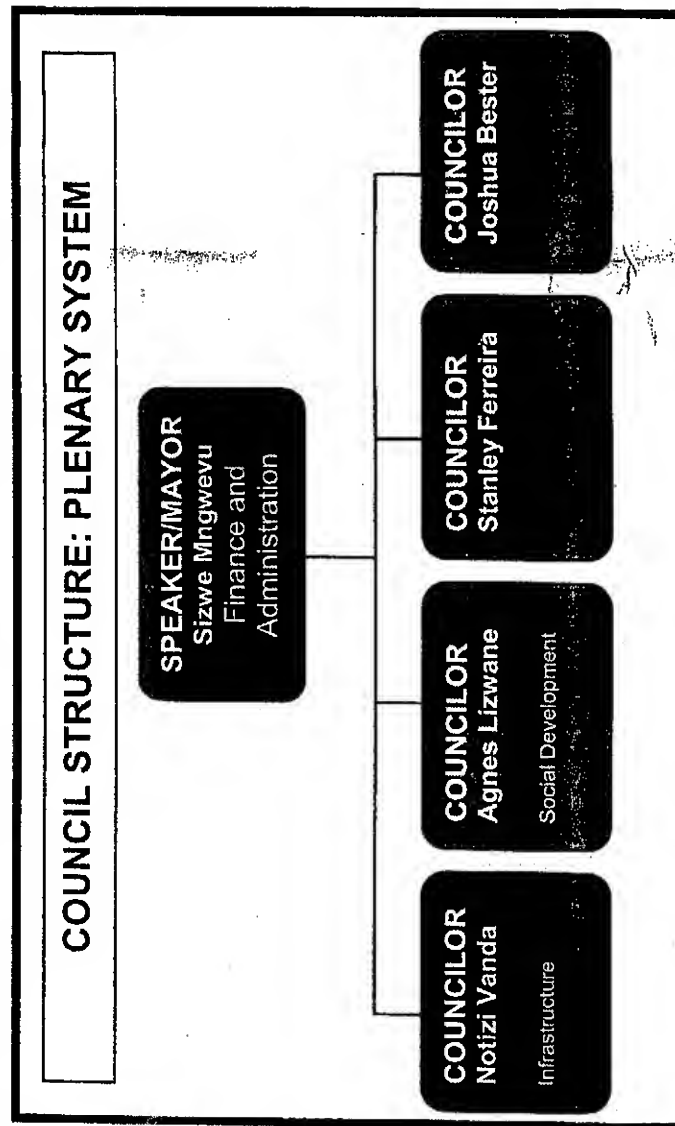
The state of municipal data remains a cause for concern. The quality of data on the municipality's billing system lacks credibility resulting in disputes. The municipality has since engaged in a data cleansing project that lasted for six months between January 2009 to June 2009.

The main objective of this project was to verify information regarding consumers that reside in properties still registered in the name of Ikwezi municipality. The project has resulted in council writing off debt to the tune of R1.9 million during May 2009.

CHAPTER 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION (KPA 5)

5.1 MUNICIPAL COUNCIL

The municipality has a Plenary System with the Speaker serving as Mayor. The functioning of Council is administered by the Office of the Mayor and Municipal Manager. All decisions are taken by Council, the Mayor and Municipal manager in terms of authority delegated by legislation and delegations of authority approved by Council.



4.9 Anti corruption strategy

The municipality has developed a fraud prevention plan. The plan has been tabled and subsequently adopted by council in 2009. Provincial Treasury conducted an awareness workshop during the year under review. There were no fraud cases reported or detected during the 2008/09 financial year.

Council set for ten Ordinary Council Meetings during the year under review.

There was only one functional portfolio committee during the year under review, ie, Finance Portfolio Committee. The Mayor and the Municipal Manager will establish all other portfolio committees in the new financial year.

5.2 PUBLIC PARTICIPATION

Number of meetings held: two IDP Representative Forum meetings and the week of 20 – 24 April 2009 was public participation week. Following are issues raised per settlement area:

Community	Total Part.	Issues
Kliplaat	148	<ol style="list-style-type: none"> 1. Language issue in terms of public participation and the document itself came out strong as one of the contributing factors towards poor participation from the community. Unit members recommended that the document be summarized in both Afrikaans and Xhosa. 2. Street names, the municipality to look at this as one of its priorities as it will ensure speedy response from the police service. 3. Public transport is a costly item for already poor households 4. Efforts should be made to attract investors to Kliplaat in so doing creating economic infrastructure that reduced the need to Kliplaat community to travel far for basic goods. 5. Quality of water and the management thereof (people are currently

		wasting water)	<p>6. Municipality to consider improving the standard of hardwood houses i.e. electricity</p> <p>7. Poor police service i.e. police vehicles, no phone at the police station and well as poor customer service.</p> <p>8. TV station crisis – the station goes off frequently</p> <p>9. Clinics, there is only one sister in charge. The issue of shortage of doctors, ambulance and general poor service delivery.</p> <p>10. Unavailability of shops around Kiplaat. The available ones are too expensive because there is no competition and thus resulting in more poverty</p> <p>11. The municipality to look at old RDP houses as some of them are currently leaking</p> <p>12. Poor service delivery from the municipality i.e. street lights, maintenance of the halls, upgrading of the Kiplaat library e.g. installation of computers.</p>
Jansenville	115		<p>1. Urgent need for a new Cemetery and in the meantime the municipality must consider putting temporary toilets at the cemetery for the convenience of the community.</p> <p>2. Maintenance of the cemetery (it is currently dirty and there is no fencing)</p> <p>3. Old RDP Houses that need renovations</p> <p>4. New Houses criteria and toilet snags under LRC</p>

		<p>5. Internal Roads needs urgent attention as those that are tarred are full of potholes</p> <p>6. Storm water drainage causing floods when it rains.</p> <p>7. Street lights not working due to poor monitoring/maintenance</p> <p>8. Municipality to consider installation of high mast lights as requested in 2006.</p> <p>9. Bursting of sewer pipe lines</p> <p>10. Municipality to take into cognisance the issue of illegal dumping sites (spogter house) in the locations and to also look at the dumping site next to the cemetery</p> <p>11. Municipality to speed up process of ensuring that services are brought closer to the people i.e. home affairs.</p> <p>12. Land issues- what is the municipality doing to ensure that scarcity of land is avoided and that house are built for the community of Jansenville.</p> <p>13. Assets and land of the municipality.</p> <p>14. Water issue (quality and quantity)</p> <p>15. Housing applications are problematic for example an old man that applied and his application was denied due to information that a house in the metro is already registered under his name. How is the municipality responding to such issues?</p>
Waterford	22	1. Poor service delivery of the municipality i.e. response time, for

		<p>example the issue of the pump station it has been reported several times and nothing has been done to address it</p> <p>2. Water crisis even the tanks installed have no water.</p> <p>3. Urgent need for a shop, where the community would be able to go and buy instead of driving all the way to Jansenville even for small/little items like paraffin or sugar.</p> <p>4. Vegetation plant which will serve as a measure of eradicating poverty in this area and also as an LED initiative.</p> <p>5. Establishment of a crèche' (pre-school) and a Primary School.</p> <p>6. Income generating options such as a wood project</p> <p>7. Improve the visibility of the Mobile clinic within this area or community health workers.</p> <p>8. Municipality to assist by ensuring that pension does come to Waterford instead of people having to</p>
--	--	--

5.3 ESTABLISHMENT OF WARD COMMITTEES AND FUNCTIONALITY

The municipality has eight established administrative units which were functional during the year under review.

The municipality has no wards but administrative units that serve as wards. Each unit has an executive committee that is led by a chairperson. The committee interacts with the municipality on behalf of the community.

5.4 COMMUNITY DEVELOPMENT WORKERS

There are four CDWs in Ikwezi, serving Jansenville, Kliplaat and Waterford. The existence of CDWs in Ikwezi is a serious challenge both administratively and politically.

They report to the Office of the Mayor but administratively, they report to the Office of the Municipal Manager. What this means is still elusive.

Communities are sometimes confused with their role and this confusion is a recipe for misconceptions and conflict of interests.

5.5 COMMUNICATIONS

A draft Communications Strategy was developed during the year under review. The document was then taken for aggressive internal consultation. GTZ also assisted the municipality in fine tuning the document for compliance with applicable legislative framework and guidelines.

The final Communications Strategy will be tabled to Council for adoption in the new financial year.

The Municipal Communications Policy will also be reviewed in the new financial year.

5.6 PERFORMANCE MANAGEMENT

In 2007, Council developed and adopted the Performance Management Policy Framework, Individual Performance Management Policy and Procedure Manual and Performance Management Process Plan.

These are the guiding documents in the phased – in implementation of performance management within the municipality.

Only section 57 employees were recognized by the system under the year under review. Council intends to cascade the system to the next management level in the new financial year.

Unfortunately no quarterly reviews set during the year under review. This was due to *inter alia*, high staff turnover at senior level and increased workload with less warm bodies. There will be only one Annual Performance Assessment for the year under review.

INTERGOVERNMENTAL RELATIONS

The Local Communicator's (LCF) and District Communicator's Forums were not functional during the year under review.

The Ikwezi Development Initiative (intervention by the Office of the Premier in Ikwezi) worked well during the year under review. The initiative provided an opportunity to access some provincial departments.

LEGAL MATTERS

The municipality has outsourced the function as it does not have financial capacity to have an in – house legal unit. The municipality has outsourced the function to Patel and Associates based in Port Elizabeth.

There is a historical case which is still pending and not finalized during the year under review, namely:

CASE NUMBER	CASE NAME	COMMENCEMENT DATE
ECD110476	M BLOUW v IKWEZI	SEPTEMBER 2007

Management of legal risks is integrated in the overall Municipal Risk Management Strategy.

There were no default judgments during the year under review.

Below : Community members during an IDP meeting in Klipplaat Town Hall



Below: Community members during a public meeting in Waterford



ANNEXURES



IKWEZI MUNICIPALITY

FINANCIAL STATEMENTS

2008/09

IKWEZI MUNICIPALITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AT 30/06/09

INDEX

		PAGE
1	FOREWORD BY THE MAYOR	1
2	GENERAL INFORMATION	2
3	APPROVAL OF ANNUAL FINANCIAL STATEMENTS	3
4	ACCOUNTING POLICIES	4 - 6
5	FINANCIAL MANAGER'S REPORT	7 - 10
6	BALANCE SHEET	11
7	INCOME STATEMENT	12
8	CASH FLOW STATEMENT	13
9	NOTES TO THE FINANCIAL STATEMENTS	14 - 20
10	APPENDICES:	
	A: STATUTORY FUNDS, TRUST FUNDS AND RESERVES	21
	B: EXTERNAL LOANS AND INTERNAL ADVANCES	22
	C: ANALYSIS OF FIXED ASSETS	23
	D: ANALYSIS OF OPERATING INCOME AND EXPENDITURE	24
	E: DETAILED INCOME AND EXPENDITURE STATEMENT	25
	F: STATISTICAL INFORMATION	26

IKWEZI MUNICIPALITY
FOREWORD BY THE MAYOR
FOR THE YEAR ENDED AT 30/06/09

It is with great pleasure for Ikwezi Local Municipality to present the 2008/2009 Annual Financial Statements to the relevant organs of state. As the Mayor of the Municipality and the Chairperson of the Finance portfolio committee, it is my responsibility to provide general political guidance over the fiscal and financial affairs of the Municipality as prescribed by the Municipal Finance Management Act, 2003.

Council is tasked with the responsibility for each financial year to table the key reporting instruments for Council to report against the performance targets and budgets outlined in their strategic plans. Annual reports are therefore required to contain information on service delivery and outcomes, in addition to financial statements. It is meant to be a backward-looking document, focusing on performance in the financial year that has just ended.

I will be tabling the Annual Financial statements including three main components each of which has an important function in promoting good governance and accountability, the main components are:

Annual Financial Statements submitted to the Auditor-General;

The Auditor-General's Audit Report on the Financial statements in terms of Section 126(3) of the MFMA; and
The Auditor-General's Audit Report on performance in terms of Section 45 of the MSA,

Council has to overcome the following challenges:

Conversion from IMEQ to GAMAP/GRAP as per requirement by National Treasury for all Municipalities to comply by 2009/2010 financial year. The conversion process is still in progress and we will comply by the end of the financial year.

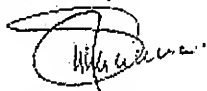
GAMAP/GRAP compliant fixed Asset register is in the final stages of completion and the deadline agreed with the Service Provider is 14th August 2009.

Capacity within Finance Department remains a challenge within the organization. This is brought into being by, amongst other, the rural nature and the size of the Municipality. The in-take of Finance Interns has assisted a great deal in addressing this problem.

Strategic alignment of IDP, Budget, SDBIP and PMS. We were able to comply as the Municipality. The 2009/2010 budget was aligned to the IDP and the SDBIP was tabled to Council within 28 days of final approval of the budget as per legislation. Performance Agreements of top Managers were also table to Council.

Internal control processes were adhered to and there is still a lot to improve on, in this regard.

The development of by-laws and the implementation of all financial policies remains a priority for the 2009/10 financial year. Coupled to this is the target to increase the revenue collection rate to 55 % by the end of the financial year.


SA Mngweni
Mayor

IKWEZI MUNICIPALITY

GENERAL INFORMATION **FOR THE YEAR ENDED AT 30/06/09**

Members of the Municipality Council -

Mngwevu S.A	-	Mayor
Bester J.	-	Councillor
Ferreira S.G	-	Councillor
Lizwane A.	-	Councillor
Vanda N.P	-	Councillor

Grading of Local Authority -

Grade 1

Auditors -

Auditor General

Bankers -

ABSA Bank - Jansenville

Registered Office

34 Main Street
Jansenville
6266

Tel. 049 836 0021 / 193
Fax. 049 836 0105

Municipal Manager -

Mnyimba T.T

Chief Financial Officer -

Bomvane N.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30/06/09

The financial statements for the 2008/2009 book year was approved by the Municipal Manager on 30 July 2009.



Mnyimba T.T
Municipal Manager

IKWEZI MUNICIPALITY

ACCOUNTING POLICIES **FOR THE YEAR ENDED AT 30/06/09**

1. BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Report on the Standardisation of Financial Statements of Local Authorities. (2nd edition - 1996)
- 1.2 The financial statements are prepared on the historical cost basis. The accounting policies are consistent with those applied in the previous year.

1.3 *The financial statements are prepared on the accrual basis:*

Income is accrued when collectable and measurable.

Expenditure is accrued in the year it is incurred.

2. CONSOLIDATION

The balance sheet includes Rate and General Services, Housing Services, Trading Services and the different funds, reserves and provisions. All inter-department charges are set-off against each other, with the exception of assessment rates, refuse removals, electricity and water, which are treated as income and expenditure in the respective departments.

3. FIXED ASSETS

- 3.1 Fixed assets are stated at historical cost while they are in existence and fit for use, except for the property that is brought in at the valuation as determined by the Valuer in 2007.

- 3.2 **Depreciation:** The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

Appropriation from operating income. Where the full cost of the assets forms an immediate and direct charge against operating income, and therefore it is unnecessary to make any further provision for depreciation.

Grant of donation where the amount representing the value of such grant or donation is immediately credited to the "Local Redeemed and other Capital Receipts" account.

- 3.3 All Net proceeds from the sale of property and proceeds from the sale of all other assets are credited to the Revolving Fund.
- 3.4 Capital assets are financed from different sources, including external loans, operating income and Government Grants. These loans are repaid within the estimated lives of the assets acquired from such loans. Interest is charged to the service concerned at the ruling rates applicable at the time the advance is made.

4. FUNDS AND RESERVES

4.1 *Revolving Fund*

In view of the fact that the Revolving fund will not be used in the future for financing capital expenditure when converting to GAMAP/GRAP accounting standards, no further contributions will be made to this fund.

5. PROVISIONS

The provisions are created for liabilities or contingencies which are known at the date of the balance sheet but for which the amount involved cannot be determined with substantial accuracy.

6. RETIREMENT BENEFITS

Ikwezi Municipality and its employees contribute to the SALA Pension Fund, IMATU Retirement Fund and the SAMWU National Provident Fund.

7. SURPLUS AND DEFICITS

Any surplus arising from the operating of the electricity and water services are transferred to Rate and General Services to alternate the tax burden of the rate payers.

Any deficit arising from the operating of the electricity and water services must be recovered from the equitable share allocation for that year.

8. INVESTMENTS

Investments are shown at market value and are invested according to the provisions contained in Circular 43 of 1993 issued by the Provision Administration.

9. INCOME RECOGNITION

9.1 *Electricity and Water Billings*

Electricity meters are read and billed monthly. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read. Water is charged at fixed monthly tariffs.

Assessments rates are levied at the same rate on the value of land and buildings and is valued as a single value.

10. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The Cost Section: "Administrations" and "Councils' General Expenses" are charged out to other departments according to their respective expenditure incurred during the year.

11. LEASED ASSETS

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

IKWEZI MUNICIPALITY**FINANCIAL MANAGER'S REPORT FOR THE YEAR ENDED AT 30/06/09**

I have pleasure in presenting the financial statements for the year ended 30 June 2009. This will be the last year that the financial statements will be compiled on the IMFO format. The primary objective of the Finance Department is to assist the Head of Departments to control their budgets and to ensure effective application of financial resources.

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2009, are as follows:

	Actual 2009 R	Actual 2008 R	Variance 2008/09 %	Budget 2009 R	Variance Actual/ Budget %
Income					
Operating income	16,104,778	13,862,960	16.17%	16,462,280	2.17%
Closing Deficit	2,791,170	2,891,734			
Appropriations					
	<u>18,895,948</u>	<u>16,754,694</u>			
Expenditure					
Opening deficit	2,891,734	2,232,593			
Operating Exp.	14,443,037	13,303,291	8.57%	16,457,170	12.24%
Appropriations	1,561,177	1,218,810			
Closing deficit					
	<u>18,895,948</u>	<u>16,754,694</u>			

The consolidated accumulated deficit has decreased from R2,891,734 to R 2,880,597 during the year. The Council budgeted for a surplus of R5,110 and the actual surplus was R11,137 after appropriations. PAYE and UIF in arrears were raised by SARS to an amount of R1,127,076 during the year. Only an amount of R22,389 has still to be paid to SARS on 30 June 09, if the penalties are not waived. An amount of R700,000 was received from Prov Treasury to assist Council on this arrear debt to SARS. Council also wrote off an amount of R1,802,634 that was billed in the previous years on property that was not transferred from the Municipality to the new owners. The addresses of these accounts were still under the name of Ikwezi Municipality.

1.1 RATES AND GENERAL SERVICES

	Actual 2009 R	Actual 2008 R	Variance 2008/09 %	Budget 2009 R	Variance Actual/ Budget %
Income	11,918,205	10,856,005	9.78%	12,070,020	1.26%
Expenditure	10,332,865	10,099,818	2.31%	12,125,620	14.78%
Surplus/(deficit)	<u>1,585,340</u>	<u>756,187</u>		<u>-55,600</u>	

	Actual 2009 R	Actual 2008 R	Variance 2008/09 %	Budget 2009 R	Variance Actual/ Budget %
Electricity service					
Income	2,884,127	2,192,976	31.52%	3,046,500	5.33%
Expenditure	2,807,726	1,989,594	41.12%	2,937,790	4.43%
Surplus/(deficit)	<u>76,401</u>	<u>203,382</u>		<u>108,710</u>	

The decrease in the surplus of electricity is the result of the loss in electricity units that increased from 25% in 2007/08 to 30% in 2008/09.

	Actual 2009 R	Actual 2008 R	Variance 2008/09 %	Budget 2009 R	Variance Actual/ Budget %
Water service					
Income	1,302,446	813,979	60.01%	1,345,760	3.22%
Expenditure	1,302,446	1,213,879	7.30%	1,393,760	6.55%
Surplus/(Deficit)	<u>-</u>	<u>(399,900)</u>		<u>(48,000)</u>	

A contribution of R310,447 from the Equitable share allocation to the water services resulted in the expenditure and income to be the same. This accounting change was needed to ensure that the economical and trading services do not recover any losses from the rates account.

	Actual 2009 R	Budget 2009 R	Actual 2008 R
Land & buildings			
Infrastructure:			
Roads			79,362
Town Planning			
Sewerage and sanitation	1,445,937	1,600,000	14,557,935
Water	1,469,802	3,897,000	2,059,224
Electricity	65,000	2,000,000	
Housing services	0	7,000,000	2,248,026

Other fixed assets:

Vehicles			
Software			415,695
Furniture and equipment	354,783	130,000	341,383
	3,335,522	14,627,000	19,701,625

Resources used to finance the fixed assets were as follows:

	Actual 2009 R	Budget 2009 R	Actual 2008 R
Grants and subsidies	3,173,232	14,627,000	19,545,518
Provision and reserves	144,354		127,123
Contributions from income	17,936		28,984
	3,335,522	14,627,000	19,701,625

A complete analysis of capital expenditure(budget and actual)per department and a classification of service are included in appendix "C".

3. EXTERNAL LOANS, INVESTMENTS AND CASH

No external loans were outstanding at 30 June 2009 as also in 2008

Investments and cash amounts to R 5,188,358 (2008: R 3,783,308).

4. FUNDS AND RESERVES

The balances of the funds and reserves were at year end a total of R2,220,822 (2007/08: R2,281,087).

No interest were allocated to these funds due to the Council's Cash flow shortage and the change from IMF accounting to GAMAP/GRAP. These funds are also not cash backed.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, members of the Council, the Municipal Manager and Heads of Departments for the support they have given to my staff and me during the year under review.

I would also like to express my appreciation to the staff of the Auditor-General for their co-operation and assistance during the audit of the Council's financial statements.



N Bomvane
Chief Financial Officer
Ikwezi Municipality
30 July 2009

	Note	2009 R	2008 R
<u>CAPITAL EMPLOYED</u>			
FUNDS AND RESERVES		2,220,822	2,281,087
Statutory Funds	1.1	1,026,750	1,027,050
Reserves	1.2	1,194,072	1,254,037
ACCUMULATED DEFICIT		(2,791,170)	(2,891,734)
		(570,348)	(610,647)
TRUST FUNDS	1.3	5,955,018	2,629,174
LONG-TERM LIABILITIES	2	-	-
CONSUMER DEPOSITS: SERVICES	3	-	-
		5,384,670	2,018,527
<u>EMPLOYMENT OF CAPITAL</u>			
NON - CURRENT ASSETS			
Fixed Assets	4	-	-
NET CURRENT ASSETS		5,384,670	2,018,527
CURRENT ASSETS		8,627,791	6,886,423
Debtors	5	3,438,433	2,815,344
Investments	6	4,355,138	3,871,079
Bank and cash	7	833,220	-
CURRENT LIABILITIES		3,243,121	4,667,696
Bank overdraft	7	-	87,771
Provisions	8	478,792	328,400
Creditors	9	2,764,329	4,251,725
		5,384,670	2,018,527

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R	2009 Budget Surplus/ (Deficit) R
10,858,005	10,099,618	758,387	RATES AND GENERAL SERVICES	11,918,205	10,332,895	1,585,340	(55,600)
8,958,985	6,960,825	1,998,161	Community services	9,474,803	7,732,053	1,742,550	255,450
-	134,241	(134,241)	Subsidised services	-	157,210	(157,210)	(171,060)
1,899,019	3,004,752	(1,105,733)	Economic services	2,443,602	2,443,602	-	(140,000)
-	-	-	HOUSING SERVICES	-	-	-	-
3,008,955	3,203,473	(194,518)	TRADING SERVICES	4,185,573	4,110,172	75,401	60,710
13,862,960	13,303,291	559,669	TOTAL	16,104,778	14,443,037	1,661,741	5,110
		(1,218,810)	Appropriations for the year (refer to Note 14)			(1,591,177)	
		(659,141)	Net Surplus/(deficit) for the year			100,564	
		(2,232,593)	Accumulated deficit at beginning of the year			(2,891,734)	
		(2,891,734)	ACCUMULATED DEFICIT AT END OF THE YEAR			(2,791,170)	

	Note	2009 R	2008 R
CASH RETAINED FROM OPERATING ACTIVITIES		4,740,572	20,988,335
Cash utilised by operations	15	(18,849,578)	(10,267,941)
Cash received in investing activities		594,892	595,171
Increase in Working capital	16	(3,520,061)	(754,332)
Less: External interest paid		-	-
Cash utilised by operations		(21,574,747)	(10,427,102)
Add: Grants & Subsidies		25,315,319	31,415,437
Net proceeds on disposal of assets		-	-
CASH EFFECT OF FINANCING ACTIVITIES			
Investment in fixed assets		(3,335,522)	(19,701,625)
Net Cash flow		1,405,050	1,286,710
CASH EFFECT OF FINANCING ACTIVITIES			
Increase / (Decrease) in Long-term Liabilities	17	-	-
Increase in Cash investments	18	(484,059)	(1,632,232)
(Increase) / Decrease in Cash	19	(920,991)	545,522
Not cash utilised		(1,405,050)	(1,286,710)

	2009 R	2008 R
1 FUNDS		
1.1 STATUTORY FUNDS		
Revolving fund	929,475	929,475
Dog Tax fund	48,822	48,822
Housing Development fund	48,453	48,753
	<u>1,026,750</u>	<u>1,027,050</u>
(Refer to Appendix A for more detail)		
1.2 RESERVES		
Leave reserve Fund	685,288	600,899
Capital Replacement Reserve	508,784	653,138
(Refer to Appendix A for more detail)	<u>1,194,072</u>	<u>1,254,037</u>
1.3 TRUST FUNDS		
Water Report	-	29,716
IDP	1,488	8,189
MIG: Jansenville Sewer project	-	1,373,879
HIV Aids Programme	60,000	-
LED - Ostrich/Feedlot	235,898	416,823
CMIP - Bucket eradication - Klipplaat	11,448	79,107
General Valuation	39,030	166,622
Klipplaat Housing Project (250 Houses)	81,877	95,852
Klipplaat Housing Project (210 Houses)	543,338	-
MSIG	-	114,486
PMS and Municipal Organogram	-	9,003
Water Service Authority	-	41,253
Development of By-Laws	-	24,386
Rainwater Harvest	214,982	-
LED - Co-ordinator/Thina Sinsko project	13,838	198,466
Performance Management System	19,466	22,849
Indigent Register	-	48,252
Angora Goat project	-	2,491
CIP Funds	199,725	-
LED Expert Funds	263,912	-
MIG: Water Purification	2,083,860	-
Water Communal House	14,134	-
Cacacul: Survey	147,000	-
IEC Infrastructure	30,000	-
DME: Elect Upgrading	1,585,212	-
	<u>5,956,018</u>	<u>2,629,174</u>
(Refer to Appendix A for more detail)		
2 LONG-TERM LIABILITIES		
Development Bank of South Africa	-	-
<u>Less:</u> Current portion of Long term liabilities	-	-
	<u>-</u>	<u>-</u>

	2009 R	2008 R
3 CONSUMER DEPOSITS : SERVICES		
Electricity & Water		-
Other		-
4 FIXED ASSETS		
Fixed Assets at beginning of year	69,661,848	49,973,215
Add: Capital expenditure during the year	3,335,522	19,701,625
Assets transferred during the year	15,200,000	(12,992)
Total Fixed Assets	88,197,370	69,661,848
Less: Loans redeemed and other capital receipts	88,197,370	69,661,848
Net Fixed Assets	-	-

Not included in above total, is an amount of R25 000 and R172 000 relating to clinic and Admin offices in Klaplaat respectively, which are still not transferred to the Municipality. Also not included is the infrastructure cost for the period before the financial year 2004/05, value of which still needs to be determined. (Refer to Appendix C for more details)

5 DEBTORS

Debtors for rates and service charges *	11,170,410	9,864,432
Less: Provision for bad debts	(10,679,562)	(9,270,986)
	490,848	593,446
Grants claimable from Cacadu DM -		
LED Projects	-	21,230
H. Hardwood Farm	230,092	210,938
Other	1,182	283,753
Accumulated Interest	15,991	41,920
VAT - Debtors *	672,607	552,562
VAT - creditors not yet paid/adjustments	109,054	174,404
VAT - Claim for May/June	574,265	480,854
Grants from Prov. Government - Housing	1,007,848	287,290
Fuel deposit	20,000	-
Sundry Debtors	117,516	69,147
	3,439,433	2,815,344

* VAT shown separate

Included in the debtors balance of R2 815 344 for the year ended 30 June 2008, is an amount of R1 639 821 relating to rates and service charges to properties registered in the name of the Municipality. This resulted in debtors for the year ended 30 June 2008 being overstated by R1 639 821, provision for bad debts overstated by R1 537 562 and accumulated deficit being understated by R102 259.

The net effect on debtors of R102 259 has been included in the provision for bad debts during the current year. Thus there is no effect on net debtors at 30 June 2009 as a result of the error in the prior year.

6 INVESTMENTS

Name of Bank	Acc Nr	Type of Investment		
Absa Bank	9137635959	Money market deposit	2,690,777	3,800,586
Absa Bank	9101589574	Savings deposit	5,300	4,312
Absa Bank	9118667193	Call deposit	70,048	68,181
Standard Bank	288685537	Money market deposit	1,589,013	-
			4,355,138	3,871,079

BANK AND CASH/(BANKOVERDRAFT)**Current Bank account: ABSA Bank (Acc no 4053099797)**

Bank statement balance at the end of year

1,047,915

182,974

Current Bank account: ABSA Bank (Acc no 2520141122)

Bank statement balance at the end of year

10,712

1,105

Consolidated Cash Book Balance at the end of year

893,220

(87,771)

PROVISIONS

Audit Costs

230,000

250,000

Performance Bonuses: Section 57 employees

99,081

78,400

Workman's Compensation

149,711

-

478,792

328,400

CREDITORS

Trade creditors

934,828

1,178,487

Auditor-General

-

275,634

Workman's Compensation

-

100,711

Service charges paid in advance

113,744

62,450

VAT - Income raised not yet paid by debtors

872,607

652,562

Dept. of Transport

-

32,770

Retention

818,549

913,159

Sundry creditors

2,212

22,490

PAYE/UIF in arrears for years 2003 - 2004

22,389

1,013,482

2,764,329

4,251,725

ASSESSMENT RATES**Actual
income**

2009

R

**Actual
income**

2008

R

The total General valuation as at 30 June 2009 was R543 333 560

1,125,522

1,202,753

This includes residential, businesses and farms

COUNCILLORS INFORMATION**Remuneration**

Speaker

217,444

195,900

Councillors

605,716

525,252

823,160

721,152

These remuneration of the Councillors are within the upper limits of the framework envisaged in section 219 of the Constitution

Arrear rates and service charges outstanding for more than 90 days

Speaker: SA Mngwevu

2,859

2,716

Councillor: SG Ferreira

-

8

Councillor: NP Vanda

-

7,052

Councillor: JJ Bester

4,516

1,993

Councillor: A Lizwano

9,060

6,585

16,455

18,354

IKWEZI MUNICIPALITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30/06/09**

	<u>2009</u> R	<u>2008</u> R
11.2 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries, Wages and Councillors Allowances	4,464,733	3,655,664
Employee related costs - Contributions to pension, medical aids	612,048	558,097
Travel allowances	206,500	132,499
Housing, standby, SDL and other allowances	158,950	177,202
Overtime payments	344,724	270,670
Bonuses	378,075	320,783
Councillors allowances	823,180	721,152
	<u>6,988,190</u>	<u>5,836,067</u>

Although an amount of R 22 389 was payable to SARS for arrear taxes on 30 June 2009, there is a possibility that they will waive the penalties which is more than the outstanding balance

Remuneration of the Municipal Manager

Annual Remuneration	350,745	196,846
Public office allowance	12,000	-
Subsistence allowance	12,000	-
Performance Bonus (still to be approved - see provisions)	63,483	28,000
Car Allowance	72,000	55,004
	<u>510,228</u>	<u>279,850</u>

Remuneration of the Chief Finance Officer (only filled for 9 months)

Annual Remuneration	160,098	178,591
Performance Bonus (still to be approved - see provisions)	28,478	18,094
Car Allowance	58,500	43,880
Leave payout (Former CFO)	13,992	-
	<u>261,038</u>	<u>240,565</u>

Remuneration of the Technical Manager (only filled for 7 months)

Annual Remuneration	110,854	191,717
Performance Bonus (still to be approved - see provisions)	7,120	33,800
Car Allowance	40,000	53,833
Leave payout (Former Technical Manager)	10,010	-
	<u>167,984</u>	<u>279,150</u>

12 AUDITORS' REMUNERATION

Opening Balance	671,809	584,693
Current year external audit fee (Provision)	230,000	250,000
Current year internal audit fee	163,128	153,120
Previous years external audit fee under provided	116,346	128,041
	<u>1,181,283</u>	<u>1,115,854</u>
Amount paid - current year internal audit fee	(153,128)	(6,945)
Amount paid - previous years external audit fee	(641,992)	(437,100)
Amount paid - previous year internal audit fee	(146,175)	-
Balance unpaid (Included in provisions and creditors)	<u>230,000</u>	<u>671,809</u>

IKWEZI MUNICIPALITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30/06/09**

	<u>2009</u> R	<u>2008</u> R
13 FINANCE TRANSACTIONS		
Total external interest paid and earned:		
- Interest earned	594,892	595,171
- Interest paid	-	-
Capital charges debited to operating account:		
Interest: External	-	-
14 APPROPRIATIONS		
Appropriation account		
Accumulated deficit at beginning of the year	(2,891,734)	(2,232,593)
Operating Surplus for the year	1,661,741	559,669
Appropriations for the year	(1,561,177)	(1,218,810)
SALA Pensionfund arrear contributions for previous years	(139,516)	-
Write-off arrear service charges - Ikwezi Municipality properties	(1,802,634)	-
Audit cost - under provided in 2007/08	(116,348)	(128,041)
SALGA membership fees for previous years	(25,401)	-
Internal Audit committee's fees written off - CDM	40,776	-
Special Grant allocation from Prov Treasury for arrear taxes, UIF and SDL levies	700,000	-
Grant for Fire Brigade not approved by CDM	(50,000)	-
SARS PAYE/UIF arrears - returns not submitted from years 2000 - 2004	(113,594)	(1,013,462)
Billing corrections of previous years levies	(54,460)	(77,287)
Accumulated (Deficit)/surplus at end of the year	<u>(2,791,170)</u>	<u>(2,891,734)</u>
15 CASH UTILISED BY OPERATIONS		
Surplus for the year	1,661,741	559,669
Prior year adjustments (see note 14, less grant received of R700 000)	(2,261,177)	(1,218,810)
Appropriations charged against income	2,045,141	3,003,135
- Accumulated Funds (Interest)	-	251,028
- Provisions & reserves	2,027,205	2,723,123
- Fixed assets	17,936	28,984
Capital charges:		
Interest: external		
Redemption: external		
Income from Reserves and Trust funds	44,509	
Less:		
Operating grants and subsidies	(7,734,452)	(6,437,895)
Expenditure charged against Provisions and reserves	(11,314,315)	(5,585,951)
Investment Income (Operating Account)	(581,025)	(588,088)
	<u>(18,649,578)</u>	<u>(10,267,941)</u>

IKWEZI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30/06/09

	<u>2009</u> R	<u>2008</u> R
16 <u>(INCREASE)/DECREASE IN WORKING CAPITAL</u>		
(Increase)/Decrease in Inventory		
(Increase)/Decrease in Trade and other receivables	(2,032,665)	(703,708)
Increase/(Decrease) in Trade and other payables	(1,487,386)	(50,624)
	<u>(3,520,051)</u>	<u>(754,332)</u>
17 <u>INCREASE/(DECREASE) IN LONG-TERM LIABILITIES</u>		
Loans raised	-	-
Loans repaid	-	-
	<u>-</u>	<u>-</u>
18 <u>(INCREASE)/DECREASE IN CASH INVESTMENTS</u>		
Investments made	(5,789,859)	(9,566,232)
Investments realised	5,304,600	7,734,000
	<u>(484,059)</u>	<u>(1,832,232)</u>
19 <u>(INCREASE)/DECREASE IN CASH</u>		
Cash on hand at beginning of year	(87,771)	457,751
Loss: Cash on hand at end of year	833,220	(87,771)
	<u>(920,991)</u>	<u>645,622</u>
20 <u>CONTRIBUTION TO ORGANIZED LOCAL GOVERNMENT</u>		
Opening balance	-	-
Council subscriptions - current year	31,501	20,055
Council subscriptions - short paid - previous years	25,401	-
Amount paid - current year	(56,602)	(20,055)
Balance unpaid	<u>-</u>	<u>-</u>
21 <u>RETIREMENT BENEFIT INFORMATION</u>		
The employees of this Municipality are members of the following pension funds:		
SALA Pension Fund		
IMATU Retirement		
SAMWU Provident Fund		
The total amount paid by Council as Pension contributions	<u>437,504</u>	<u>391,549</u>
No pension contributions were outstanding at year end		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30/06/09**

	2009 R	2008 R
22 CAPITAL COMMITMENTS		
- Approved and contracted for	12,666,787	6,038,172
Infrastructure	259,117	6,038,172
Other	12,407,670	-
- Approved and not contracted for	3,276,107	-
Infrastructure	3,276,107	-
Other	-	-
This expenditure will be financed from:		
- Government Grants	15,942,894	6,038,172
	<u>15,942,894</u>	<u>6,038,172</u>
23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
<i>Reconciliation of unauthorised expenditure</i>		
Opening balance	-	3,619,309
Unauthorised expenditure current year	232,971	-
Approved by Council or condoned	-	3,619,309
Unauthorised expenditure still to be condoned by Council at year end	232,971	-
Council condoned an amount of R115 401 on 10 Nov 2009 i.r.o. budget votes exceeded. An amount of R117 570 i.r.o. a grant for Feedlot project, was used for Hardwood farm, but will be taken to Council in December 2009 for approval.		
<i>Reconciliation of wasteful expenditure</i>		
Opening balance	-	-
Fruitless and wasteful expenditure current year	98,064	-
Approved by Council or condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	98,064	-
<i>Reconciliation of irregular expenditure</i>		
Opening balance	-	-
Irregular expenditure current year	-	-
Approved by Council or condoned	-	-
Irregular expenditure awaiting condonement	-	-
24 CONTINGENT LIABILITIES		
The Council has unresolved labour matters of which the estimated cost is R51 000 and the legal fees R83 000	114,000	-
25 TAXES PAID TO SARS		
PAYE	651,549	594,175
Unemployment Insurance Fund: Council	52,622	45,178
Employee's	52,622	45,178
Skills development Levy	66,082	44,271
	<u>822,875</u>	<u>728,602</u>
See Note 11.2 for outstanding amounts on these taxes and levies		
26 RELATED PARTIES		
The son of Councillor NP Vanda, Mr. M Vanda, is one of two managers in charges of the LED project, Ikhalo Sewing Factory. The total expenditure for this project for the 2008/09 bookyear was an amount of R2 504, which is recoverable from the Ikhalo Sewing Project, when they received their income for sales.		

FOR THE YEAR ENDED 2009

	<u>Balance at</u> <u>1 July 2008</u>	<u>Contributions</u> <u>during the year</u>	<u>Interest on</u> <u>Investments</u>	<u>Other</u> <u>Income</u>	<u>Operating</u> <u>Expenditure</u>	<u>Capital</u> <u>Expenditure</u>	<u>Balance at</u> <u>30 June 2009</u>
STATUTORY FUNDS							
Revolving Fund	929,475	-	-	-	-	-	929,475
Dog Tax Fund	48,822	-	-	-	-	-	48,822
Housing Development fund	48,753	-	-	-	300	-	48,453
	<u>1,027,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>1,026,750</u>
RESERVES							
Leave reserve	600,699	139,837	-	-	55,448	-	685,288
Capital Replacement Reserve	653,136	-	-	-	-	144,354	508,784
	<u>1,254,037</u>	<u>139,837</u>	<u>-</u>	<u>-</u>	<u>55,448</u>	<u>144,354</u>	<u>1,184,072</u>
TRUST FUNDS							
Water Report	29,716	-	-	-	1,366	26,350	-
IDP	5,189	-	-	158,168	115,834	49,023	1,498
MIG: Jansenville Sower project	1,373,679	-	-	-	7,098	1,366,583	-
HIV Aids Programme	-	-	-	80,000	-	-	80,000
Financial Management Grant	-	-	-	750,000	750,000	-	-
LED - Oorich/Faediol	416,823	-	-	44,509	225,634	-	235,698
CMIP - Bucket eradication - Kippaart	79,107	-	-	-	-	67,659	11,448
General Valuation	166,622	-	-	-	127,592	-	39,030
Kippaart Housing Project (260 Houses)	95,852	-	3,867	-	17,842	-	81,877
Kippaart Housing Project (210 Houses)	-	-	-	1,531,526	988,188	-	543,338
Jansenville Housing project (350 Houses)	-	-	-	7,940,293	7,940,293	-	-
PMS and Municipal Organogram	9,003	-	-	-	9,003	-	-
Water Service Authority	41,253	-	-	-	10,825	30,428	-
Development of By-Laws	24,386	-	-	-	24,386	-	-
Rainwater Harvest	-	-	-	386,882	135,311	16,589	214,982
LED - Co-ordinator/Thina Sinoko project	198,466	-	-	-	182,628	-	15,838
Performance Management System	22,649	-	-	-	3,353	-	19,296
Indigent Register	48,252	-	-	-	48,252	-	-
Angora Goat project	2,491	-	-	-	2,491	-	-
LED: Bakery Project	-	-	-	10,000	10,000	-	-
CIP Funds	-	-	-	200,000	275	-	199,725
LED Expert Funds	-	-	-	400,000	130,691	5,397	263,912
MIG: Water Purification	-	-	-	3,017,000	105,833	827,207	2,083,890
Water Communal House	-	-	-	535,000	21,287	499,569	14,134
Cacodu: Survey	-	-	-	147,000	-	-	147,000
JEC Infrastructure	-	-	-	30,000	-	-	30,000
DIME: Elect Upgrading	-	-	-	2,000,000	4,788	-	1,995,212
	<u>2,628,174</u>	<u>-</u>	<u>3,867</u>	<u>17,925,375</u>	<u>11,430,167</u>	<u>2,050,805</u>	<u>5,985,018</u>

APPENDIX B
IKWEZI MUNICIPALITY
EXTERNAL LOANS AND INTERNAL ADVANCES
FOR THE YEAR ENDED 30/06/08

<u>EXTERNAL LOANS</u>	<u>Balance at</u> <u>1 July 2008</u>	<u>Interest</u> <u>during the year</u>	<u>Redeemed</u> <u>during the year</u>	<u>Balance at</u> <u>30 June 2009</u>
Development Bank of South Africa (16,85% - 2011)	-	-	-	-
Development Bank of South Africa (15,72% - 2008)	-	-	-	-
(Refer to Note 3)	-	-	-	-

Above loans were fully redeemed during 2006/07 financial year
(See also Note 9)

APPENDIX C
IKWEZI MUNICIPALITY
ANALYSIS OF FIXED ASSETS
FOR THE YEAR ENDED 30/06/09

<u>Expenditure</u> <u>2007/08</u> R	<u>Service</u>	<u>Budget</u> <u>2008/09</u> R	<u>Balance at</u> <u>1 July 2008</u> R	<u>Expenditure</u> <u>during year</u> R	<u>Transferred or</u> <u>written off</u> R	<u>Balance at</u> <u>30 June 2009</u> R
15,394,375	RATES AND GENERAL SERVICES	1,730,000	43,527,036	1,806,720	15,200,000	60,527,756
668,311	Community services	130,000	9,647,994	348,284	15,200,000	25,196,278
	Land & Buildings		6,287,748	-	15,200,000	21,487,748
549,965	Administration	130,000	1,170,214	348,284		1,618,498
26,984	Council's General		268,984	-		268,984
	Motor vehicles		-	-		-
	Office furniture & equipment		-	-		-
	Health - Clinic		10,713	-		10,713
	Computer equipment		-	-		-
	Health - General		-	-		-
79,362	Roads & Storm water		1,750,426	-		1,750,426
	Public works		-	-		-
	Town Planning		159,909	-		159,909
	- Subsidised services		5,600	-	-	5,600
	- Civil buildings		-	-	-	-
	- Library		5,600	-	-	5,600
14,738,064	Economic services	1,600,000	33,873,442	1,452,436	-	36,325,978
14,557,935	Sewerage services	1,600,000	28,365,408	1,445,937		29,811,345
	Refuse Removal		234,550	-		234,550
51,003	LED: Foodlot Project		80,744	-		80,744
	LED: Bakery Project		125,174	-		125,174
127,123	LED: Shoe Fabric		271,971	-		271,971
	LED: Hardwood Farm		4,785,595	8,499		4,802,084
2,059,224	TRADING SERVICES	6,897,000	8,535,777	1,534,802	-	7,070,579
	Electricity	2,000,000	376,360	65,000		441,360
2,059,224	Water works	3,897,000	5,159,417	1,469,802		6,629,219
2,248,025	HOUSING SERVICES	7,000,000	20,599,035	-	-	20,599,035
2,248,025	Sub economic housing	7,000,000	20,599,035			20,599,035
19,701,625	TOTAL PROPERTY, PLANT AND EQUIPMENT	14,627,000	69,661,848	3,335,522	15,200,000	88,197,370
	LESS: LOANS REDEEMED AND OTHER					
19,701,625	CAPITAL RECEIPTS	14,627,000	69,661,848	3,335,522	15,200,000	88,197,370
	Loans redeemed and advances repaid		-	-		-
28,884	Contributions ex operating income		247,256	17,936		265,234
127,123	Provisions and reserves		127,123	144,354		271,477
19,545,518	Grants and subsidies	14,627,000	69,287,427	3,173,232	15,200,000	87,560,659
	NET PROPERTY, PLANT AND EQUIPMENT					

APPENDIX D
IKWEZI MUNICIPALITY
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30/06/09

<u>Actual</u> <u>2008</u> R	<u>INCOME</u>	<u>Actual</u> <u>2009</u> R	<u>Budget</u> <u>2009</u> R
1,202,753	Assessment Rates	1,125,522	1,200,000
5,694,191	Equitable share	7,133,765	6,970,000
5,570	Income from Burial sites	5,575	5,000
1,111,159	Income from other Sources	1,465,220	750,000
84,881	Agency fees: Motorvehicle licence fees	97,849	80,000
588,089	Interest earned - external	591,025	250,000
714,426	Refuse Removal	785,923	780,000
19,507	Rentals	31,045	12,600
2,187,932	Sale of electricity	2,678,666	2,735,000
813,979	Sale of water	886,065	870,000
696,789	Sanitation/Sewerage	703,436	710,000
743,704	Subsidies/Government Grants *	600,687	2,099,680
<u>13,862,960</u>	<u>TOTAL INCOME</u>	<u>18,104,778</u>	<u>16,462,280</u>
<u>EXPENDITURE</u>			
5,836,067	Salaries, wages & allowances **	6,986,180	7,694,790
5,148,752	General Expenses	5,974,315	7,571,920
1,414,294	Electricity purchased	1,936,411	1,900,000
3,732,458	Other	4,037,904	5,671,920
400,781	Repairs and Maintenance	447,921	540,300
-	Capital charges	-	-
28,984	Contribution to capital	17,936	-
2,394,723	Contribution to funds	1,548,413	1,230,000
<u>13,807,307</u>	<u>GROSS EXPENDITURE</u>	<u>14,974,775</u>	<u>17,037,010</u>
504,016	<u>Less : Amounts charged out</u>	531,738	579,840
<u>13,303,291</u>	<u>NET EXPENDITURE</u>	<u>14,443,037</u>	<u>16,457,170</u>

** The salaries for the Finance Interns and accountants of R621 236 were budgeted under this sub-section but actually shown under the FMG operating expenses in Appendix A.

* The FMG and MSiG, of R750 000 and R735 000 respectively were budgeted under the operating income but actually shown under the Trust Funds in Appendix A.

APPENDIX E
KWEZI MUNICIPALITY
DETAILED INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 30/06/09

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R	2009 Budget Surplus/ (Deficit) R
10,856,006	10,099,818	756,187	RATES & GENERAL SERVICES	11,818,206	10,332,885	1,585,340	(88,600)
8,956,986	6,980,826	1,998,161	Community services	9,474,603	7,732,053	1,742,550	256,460
1,202,753	-	1,202,753	Assessment rates	-	-	-	-
-	-	-	Mayoral Executive	95,830	358,251	(262,321)	(242,230)
-	-	-	Human Resources	7,874	334,219	(326,345)	(359,530)
6,766,905	3,926,933	2,839,972	Accounting Officer	22,712	1,462,270	(1,439,558)	(1,462,080)
-	672,106	(672,106)	Budget and Treasury	8,565,940	2,832,909	5,933,031	4,603,310
5,570	11,258	(5,688)	Administration: Public Works	1,017	1,110,898	(1,109,881)	(1,188,150)
304,101	348,891	(44,790)	Cemeteries	5,575	24,942	(19,367)	(21,750)
583,598	1,123,118	(539,518)	Health: Klipplaat clinic	403,303	390,130	13,173	7,000
-	738,014	(738,014)	Municipal Council	269,070	900,176	(634,106)	(610,970)
-	57,834	(57,834)	Streets & stormwater	-	348,709	(348,709)	(347,770)
9,198	70,596	(61,400)	Sport grounds	-	16,492	(16,492)	(15,550)
84,861	14,275	70,586	Town Halls	8,333	78,849	(70,516)	(119,290)
-	-	-	Traffic & licensing	87,849	78,208	21,641	(7,540)
-	134,241	(134,241)	Subsidised services	-	167,210	(167,210)	(171,060)
-	-	-	Civil buildings	-	-	-	-
-	134,241	(134,241)	Library	-	167,210	(167,210)	(171,060)
1,899,019	3,084,752	(1,185,733)	Economic services	2,443,602	2,443,602	-	(140,000)
714,426	800,917	(176,491)	Refuse Removal	1,135,190	1,135,190	-	(26,000)
696,789	1,626,031	(929,242)	Sanitation & sewerage	1,115,420	1,115,420	-	(114,000)
86,172	86,172	-	LED: Bakery Project	-	-	-	-
7,058	7,058	-	LED: Shoe Factory	-	-	-	-
394,576	394,576	-	LED: Hardwood Farm	182,952	182,952	-	-
3,006,955	3,203,473	(196,518)	TRADING SERVICES	4,186,573	4,110,172	76,401	60,710
2,192,976	1,989,594	203,382	Electricity	2,884,127	2,807,728	76,401	108,710
813,979	1,213,879	(399,900)	Water	1,302,446	1,302,446	-	(48,000)
13,862,950	13,303,291	559,659	TOTAL	16,104,778	14,443,037	1,661,741	8,110
(1,218,810)			Appropriations for the year (refer to Note 14)			(1,561,177)	
(658,141)			NET SURPLUS/(DEFICIT) FOR THE YEAR			100,564	
(2,232,583)			ACCUMULATED DEFICIT AT BEGINNING OF THE YEAR			(2,891,734)	
(2,891,734)			ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR			(2,791,170)	

FOR THE YEAR ENDED 30/06/09

	<u>2009</u>	<u>2008</u>	<u>2007</u>
A. General statistics			
1. <u>Population:</u> Jansenville	5,791	5,791	5,791
Klipplaat	3,275	3,275	3,275
2. <u>Area (km²)</u>	4,293	4,293	4,293
3. <u>Valuation of Property</u>			
Rateable property			
- Land & Improvements	R 533,601,350	R 571 974 310	
Non-rateable property			
- Land & Improvements	R 9,732,210	N/A	
Date of Valuation	01 July 2007	01 July 2007	
Residential property			
- Land	N/A	N/A	
- Improvements			
Commercial, industrial and other property			
- Land	N/A	N/A	
- Improvements			
4. <u>Number of properties</u>			
- Residential, Commercial, and Agriculture	3,810	N/A	N/A
5. <u>Assessment rates: Cent in the Rand</u>			
Residential properties			
- Land	1.565	1.476	0.034026
- Buildings	1.565	1.476	0.034026
Commercial, industrial and other property			
- Land	1.877	1.771	0.036068
- Buildings	1.877	1.771	0.036068
Agriculture			
- Land	0.160	0.300	
- Buildings	0.160	0.300	
6. <u>Number of employees</u>	67	69	63
B. <u>Electricity Statistics</u>			
Units purchased	5,896,067	5,863,629	5,613,622
Units Sold	4,112,263	4,233,372	4,044,343
Units lost in distribution	1,782,794	1,430,257	1,569,279
Percentage lost in distribution	30%	25%	28%
Cost per unit sold	R 0.68	R 0.47	R 0.48
C. <u>Water statistics</u>			
Units purified	N/A	N/A	N/A
Units Sold	N/A	N/A	N/A
Units lost in distribution	N/A	N/A	N/A
Percentage lost in distribution	N/A	N/A	N/A
Cost per unit sold	N/A	N/A	N/A
- Residential	N/A	N/A	N/A
- Commercial	N/A	N/A	N/A

Management report for 2009 - External auditors Progress report

Par. no.	Finding	Classification	Responsible person	Date to be finalised	Progress	Comments
9	Unauthorised and fruitless and wasteful expenditure to the value of R232 971 was incurred during the year and has been disclosed in note 23 to the financial statements	Financial	CFO	30/06/2010	The said amount has since been condoned by Council in December 2009 as indicated on note 23 of the financial statements	Will be addressed in the next financial year
10	Debtors and provision for bad debts were overstated for by R1 639 821 and R1 537 562 respectively, for the year ended 30 June 2008 due to the billing of rates and services charged to properties registered in the name of the municipality. The net effect on debtors of R102 259 from the prior year has been included in the provision for bad debts during the current year. This matter is disclosed in note 5 to the financial statements	Financial	CFO	20/06/2010	The issue will be addressed during the current financial year through conversion of AFS from IMFO to GRAP	Service provider appointed to convert

12	In contravention of section 62(1)(a) of the MFMA, the municipality incurred electricity losses amounting to 1 782 794 units during the year. This equates to 30% distribution. This loss is excessive compared to other low capacity municipalities	financial	CFO	30/06/2010	Finance and Infrastructure have embarked on a project to repair all faulty electricity meters. Electricity meters will also be installed on all municipal properties to measure own consumption	Project was started in September 2009 and is being monitored continuously
13	The controls exercised over fixed assets are not satisfactory as the fixed asset register does not agree with the general ledger. Several assets have been included more than once in the fixed asset register, the asset descriptions are vague and some asset numbers were duplicated in the asset register.	Financial	CFO	30/06/2010	Also to be addressed with the conversion from IMFO to GAMAP/GRAP. Service provider was appointed to compile a GRAP compliant asset register and the project is 95% complete.	The service provider will commence with the conversion in March 2010 and is to be completed in June 2010
13	Certain assets acquired prior to 30 June 2005 have been included at a nominal value of R1, as the value of these assets could not be reliable determined due to the unavailability of supporting documentation. As a result the municipality failed to comply with section 63(2)(c) of the MFMA	Financial	CFO	30/06/2010	Issue also to be addressed with the conversion at year end	Service provider appointed to convert from IMFO to GRAP

14	Evidence could not be obtained that the accounting officer of the municipality had submitted its annual report to the provincial legislature within 7 days after the municipal council adopted the relevant oversight report or that the municipality had submitted the oversight report on the annual reports, as required by section 132 of the MFMA	Financial	CFO	08/04/2010	The issue has already been addressed with the 2008/09 annual report	Evidence of submission and adverts for publishing the annual reports have been kept on file
15	The municipality used grant money amounting to R117 570 ALLOCATED TO THE led Ostrich Feedlot project to cover expenditure incurred by the Hardwood Farm project. The municipality has thus not complied with section 32 of the MFMA	Financial	CFO	30/06/2010	Issue to be addressed the same way as paragraph 9 above	
16	The electricity charged by the municipality for the financial year under review were not approved by the NERSA. This is in contravention of the National Energy Regulator Act, 2004	Financial	CFO	30/06/2010	The matter has been addressed. The application with the D forms has been forwarded to NERSA and confirmation of receipt obtained	NERSA has confirmed receipt of our application via email

18	Significant difficulties were experienced during the audit concerning delays or availability of requested information		All HODs	30/06/2010	The concerned is noted by all HODs and will be addressed during the next audit	Communication at times resulted to the reported difficulties. AGSA will do well establish the HODs understands what is being requested in order to avoid parties 'speaking past each other'
18	The financial statements were subjected to material amendments resulting from the audit	Financial	CFO	30/06/2010	Matter has been noted and to be address during the current financial year	To be addressed through conversion
18	There are significant deficiencies in the design and implementation of internal control in respect of financial and risk management	Financial	All HODs	30/06/2010	Concern noted by all HODs.	These management responses to be subjected to internal auditing
18	There are significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations	Financial	All HODs	30/06/2010	Concern noted by all HODs. Has improved over the years as can be observed from improving audit opinions being expressed	The envisaged compliance register is meant to address a bulk of these problems
18	The prior year audit findings have not been substantially addressed		All HODs	30/06/2010	Will be addressed during the next financial year	
25	The municipality did not give notice of the adoption of the IDP to the public within 14 days of the date of adoption, as required by section 25(4)(a)(i) of the MSA	IDP office	Tamaria	15/04/2010	The matter will be addressed with the 2009/10 IDP review	Evidence to be kept on file

26	The IDP did not include relevant outcomes and impacts of all the key performance indicators as required by section 41(1)(a) of the MSA, AND clear input indicators, output indicators for each of its development priorities and objectives as required by section 9(1)(a)	IDP office	Tamaria	31/03/2010	To be addressed with the 2009/10 IDP review	
27	Not all KPIs met the criteria of being measurable, relevant, objective, and precise as required by regulation 9(1)(b) including : training on self-development, approaching commercial farmers on participating in pro-active land acquisition policy and installation of water meters	IDP office	Tamaria	31/03/2010	Also to be addressed with the 2009/10 IDP review	
28	No evidence could be obtained that the internal auditors of Ikwezi municipality audited performance measurements on a continuous basis and submitted quarterly reports on their audits to the Municipal Manager and the audit committee as required by regulation 14(1)(c) of Local Government : Municipal Planning and Performance Management regulations, 2001	PM	Tamaria	2011/06/30	The quarterly performance assessment did not occur under the year under review due to high staff turnover at senior level. This issue will be partially addressed in the new financial year.	This issue will be fully addressed in 2010/2011 financial year.

23	No performance committee is in place in the municipality	PM				The Audit Committee also serves as a Performance Committee	There is no need to establish another committee as the Audit Committee serves the same purpose as Performance Committee
30	Comparative prior year performance information and measures taken to improve performance are not disclosed in the annual performance report as required by section 46(1) of the MSA	PM	MM	Immediate		To be addressed during the current financial year	
31	Copy of the IDP was not submitted to the MEC of local government within 10 days of adoption as required by section 32(1)(a) of the MSA	IDP office	Tamaria	Immediate		To be addressed with the 2009/10 IDP review	Evidence to be kept on file
32	Evidence could not be obtained that the accounting officer of the municipality had assessed and submitted the required information on the mid-year budget and performance assessment by 25 January to the Mayor, National Treasury and the provincial treasuries as required by section 72(1) of the MFMA		Tamaria	15/04/2010		This issue will be addressed in the next financial year as crucial appointments were made during the year under review	This issue will be addressed in the new financial year.
			MM	30/06/2010			

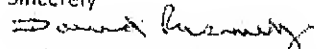
There remain a number of important issues which the municipality needs to address, as follows

1. The municipality does not have an adequate budgetary control system in place to enable management to monitor expenditure and revenue against budgeted levels on a continuous basis --as a result a number of line items notably the travel and subsistence budget was overspent
2. The municipality still does not have a performance management system in place in terms of the relevant legislation
3. Thirty percent of electricity is being lost on distribution--given the high cost of electricity which is expected to increase significantly in the future, the municipality needs to address this matter as matter of urgency
4. The municipal officers should continue to be mindful of paragraph 32 of the Municipal Finance and Management Act whereby they could in certain instances be held personally liable for fruitless and wasteful expenditure incurred by the municipality

No instances of fraud or corruption were brought to our attention during the year under review

We wish to take this opportunity to thank the Auditor General and the internal auditors for their assistance and cooperation during the year

Sincerely



Professor David Rosenberg (Chairperson)

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE AND COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF IKWEZI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Ikwezi Municipality which comprise the balance sheet as at 30 June 2009, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 11 to 20 of the financial statements which is filed as an annexure to the annual report.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3)(d) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements of the Ikwezi Municipality as at 30 June 2009 have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of matter(s)

Without qualifying my opinion, I draw attention to the following matters:

Basis of accounting

8. The municipality's policy is to prepare financial statements on the basis of accounting as set out in accounting policy note 1 to the financial statements.

Unauthorised and fruitless and wasteful expenditure

9. Unauthorised and fruitless and wasteful expenditure to the value of R232 971 was incurred during the year and has been disclosed in note 23 to the financial statements.

Impact of prior year qualification on debtors and revenue recognition

10. Debtors and the provision for bad debts were overstated by R1 639 821 and R1 537 562, respectively, for the year ended 30 June 2008 due to the billing of rates and service charges to properties registered in the name of the municipality. The net effect on debtors of R102 259 from the prior year has been included in the provision for bad debts during the current year. This matter is disclosed in note 5 to the financial statements.

Other matter(s)

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

11. The supplementary information set out on pages 21 to 26 of the financial statements (filed as an annexure to the annual report) does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Electricity losses

12. In contravention of section 62(1)(a) of the MFMA, the municipality incurred electricity losses amounting to 1 782 794 units during the year. This equates to a 30% distribution loss. This loss is excessive when compared to other low-capacity municipalities.

Non-compliance with applicable legislation

Municipal Finance Management Act (MFMA)

13. The controls exercised over fixed assets are not satisfactory as the fixed asset register does not agree to the general ledger. Several assets have been included more than once in the fixed asset register, the asset descriptions are vague and some asset numbers were duplicated in the fixed asset register.

Certain assets acquired prior to 30 June 2005 have been included at a nominal value of R1, as the value of these assets could not be reliably determined due to the unavailability of supporting documentation.

As a result, the municipality failed to comply with the requirements of section 63(2)(c) of the MFMA.

14. Evidence could not be obtained that the accounting officer of the municipality had submitted its annual report to the provincial legislature within seven days after the municipal council adopted the relevant oversight report or that the municipality had submitted the oversight report on the annual reports, as required by section 132 of the MFMA.
15. The municipality used grant money amounting to R117 570 allocated to the LED Ostrich Feedlot project to cover expenditure incurred by the Hardwood Farm project. The municipality has thus not complied with section 32 of the MFMA.

National Energy Regulator Act

16. The electricity tariffs charged by the municipality for the financial year under review were not approved by the National Energy Regulators of South Africa (NERSA). This is in contravention of the National Energy Regulator Act, 2004 (Act No. 4 of 2004).

Governance framework

17. The governance principles that impact the auditor's opinion on the financial statements relate to the responsibilities and practices of the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Key governance responsibilities

18. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development of and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The municipality had an audit committee in operation throughout the financial year.	✓	
	• The audit committee operates in accordance with approved, written terms of reference.	✓	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	✓	
7.	Internal audit		
	• The municipality had an internal audit function in operation throughout the financial year.	✓	
	• The internal audit function operates in terms of an approved internal audit plan.	✓	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	✓	
8.	There are no significant deficiencies in the design and implementation of		✓

No.	Matter	Y	N
	internal control in respect of financial and risk management.		
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i)/95(c)(i) of the MFMA.	✓	
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		✓
14.	Oversight resolutions have been substantially implemented.	✓	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the metro against its mandate, predetermined objectives, outputs, indicators and section 68 of the MFMA.	✓	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

19. The control environment within the municipality is not yet conducive to sound governance and accountability as the leadership has not ensured that the control environment in all respects received appropriate attention. Management's attention is specifically drawn to the following key governance responsibilities which, according to the above table, have not been effectively addressed:

- a) There is a lack of adequate monitoring over financial accounting processes. This resulted in material amendments to the financial statements to avoid qualifications.

- b) The significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations were attributed to implemented controls not being adhered to and a lack of adequate monitoring and supervision by management.
- c) Management has not taken sufficient action to clear all the 2007-08 audit findings. Management had an audit intervention plan in place to address prior year findings. The plan was, however, deficient as it did not break down tasks in sufficient detail and no clear deadlines were set for the completion of all the tasks. In some areas responsibilities for tasks and activities were not clearly defined.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

- 20. I have reviewed the performance information as inserted between pages 13 to 62 of the annual report.

The accounting officer's responsibility for the performance information

- 21. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

- 22. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
- 23. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
- 24. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

Publicising of the integrated development plan (IDP)

25. The municipality did not give notice of the adoption of the IDP to the public within 14 days of the date of adoption, as required by section 25(4)(a)(i) of the MSA.

Content of the integrated development plan

26. The IDP did not include the following:
- a) Relevant outcomes and impacts of all the key performance indicators (KPIs) as required by section 41(1)(a) of the MSA.
 - b) Clear input indicators, output indicators and outcome indicators for each of its development priorities and objectives as required by regulation 9(1)(a).
27. Not all KPIs met the criteria of being measurable, relevant, objective and precise as required by regulation 9(1)(b), including:
- a) training on self-development
 - b) approaching commercial farmers on participating in proactive land acquisition policy
 - c) installation of water meters.

Internal auditing of performance measurements

28. No evidence could be found that the internal auditors of the Ikwezi Municipality audited the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manager and the performance audit committee as required by regulation 14(1)(c) of *Local Government: Municipal Planning and Performance Management Regulations, 2001* (published under GN R796 in GG22605 of 24 August 2001).

Performance committee not in place

29. No separate performance audit committee is in place at the municipality.

Content of annual performance report

30. Comparative prior year performance information and measures taken to improve performance are not disclosed in the annual performance report, as required by section 46(1) of the MSA.

Submission of performance information to local government

31. A copy of the adopted IDP was not submitted to the MEC of local government within 10 days of the adoption of the plan as required by section 32(1)(a) of the MSA.

Submission of mid year budgets and performance assessments

32. Evidence could not be obtained that the accounting officer of the municipality had assessed and submitted the required information on the mid-year budget and performance assessment by 25 January 2009 to the mayor, National Treasury and the provincial treasury as required by section 72(1) of the MFMA.

APPRECIATION

33. The assistance rendered by the staff of Ikwezi Municipality during the audit is sincerely appreciated.

Port Elizabeth

Auditor-General

30 January 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

